FALL 1980 THREE DOLLARS 14

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FALL 1980 **Policy Review** **14**

3 **Controversy**
RAY MARSHALL
ORRIN HATCH
FRANK C. BALLANCE
PETER DAY
TERENCE PRITTIE

9 **1983: How Europe Fell**
LEOPOLD LABEDZ

35 **Over There**
BARBARA AMIEL
PETER GRAF KIELMANSEGG

49 **Can Congress Control Spending?**
PETE DOMENICI

67 **Does Econometrics Add Up?**
BRUCE BARTLETT

83 **An Arts Policy?**
KINGSLEY AMIS

95 **The Three Faces of Unionism**
LEO TROY
C. TIMOTHY KOELLER
NEIL SHEFLIN

111 **N.H.S.: An Ill for All Cures**
JOHN C. GOODMAN

125 **Sick Man of the West**
PAUL JOHNSON

141 **Environmentalism: The Newest Toryism**
WILLIAM TUCKER

153 **Tales from the Public Sector**
RICHARD K. REIN
OLE—JACOB HOFF

160 **Book Reviews by**
LESLIE LENKOWSKY, SCOTT BURKE,
HUGH THOMAS, and DONALD J. SENESE.

180 **Contributors**

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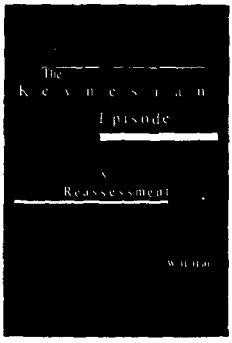

The Keynesian Episode

By W. H. Hutt

An unsparing reassessment of the dominant economic movement of our century. *The Keynesian Episode* looks back to tell us why Lord Keynes' economic doctrines had such great appeal among academics and politicians—with such disastrous results—and looks ahead to tell us how to restore a sound economy. Long a leading critic of Keynesianism, Professor Hutt first attempted to prepare a second edition of his 1963 book, *Keynesianism—Retrospect and Prospect,* but ended up with a new book. The result is a fresh masterpiece of economic history and analysis.

Born in 1899, W. H. Hutt graduated from the London School of Economics and based his academic career at the University of Cape Town. He is presently Distinguished Visiting Professor of Economics at the University of Dallas. Hardcover $10.00, Paperback $4.50.

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Controversy

Affirmative Action

Dear Sir:

I must take exception to Senator Orrin Hatch's article, "Loading the Economy," which appeared in a recent issue of your magazine (Spring 1980). Particularly disturbing are several points in the article which refer to affirmative action as the cause of employment practices which benefit people who, but for their race or sex, lack merit to gain the employment they hold.

Affirmative action does not require the hiring and promotion of incompetent people because they are minorities, women, or handicapped. Quite the opposite is true. Affirmative action is a means for including those who have traditionally been excluded from the labor market's better jobs.

One cannot ignore the social and economic history of this country: the two hundred year history of enslavement of blacks followed by their exclusion from full participation in both the society and the economy; the consignment of women into legal, economic and social strata subservient to that of men; the continuous utilization of indigenous, immigrant and transient Hispanics for low-paid and debilitating labor, coupled with denial of opportunities for advancement from their traditional status; and the continued relegation of handicapped persons to roles of perpetual dependence upon the goodwill of charities, institutions, government, and family, seriously encumbering their entry into and participation in the social and economic mainstream.

These actions occurred as a part of "tradition," as law, or as both. To bring about an end to the tradition of exclusion, this country has formulated a body of laws to ensure equal opportunity for participation in the society.

The analyses conducted to further the concept of affirmative action have been designed to provide both the employer and the government with a system to bring about changes which are warranted. Often these systems represent a contractor's first mechanism for evaluating its employment practices. Standards such as the Uniform Employment Selection Guidelines, which bind both the government and private employers, require that employment selection procedures by which the employer hires, promotes, and selects employees for various employment actions be valid, i.e., based upon criteria relevant to the performance of the job and likely to predict actual performance. Procedures which conform to the guidelines are certainly more precise indicators of performance than any subjective, generalized concept of "merit."

The discussion of the Dante Construction Company matter also merits clarification. Dante Construction was a federal contractor with more than $800,000 worth of Department of Defense contracts for renovation work at the Navy Yard in South Philadelphia. The

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Yard's location is in an area having a very high concentration of available minorities and women, and its work force is highly visible.

When Dante secured its federal contracts, it was aware that one of the non-discrimination and affirmative action requirements is monthly submission of an Employment Utilization Report, a form which shows the number of hours worked by company employees. One of the uses of this form is as an aid in the selection of construction companies for review. Had Dante been submitting its reports, it is unlikely that it would have been reviewed, since the Department does not normally review construction contractors reporting fewer than 8,000 hours worked per month (roughly equivalent to the number of hours worked by a work force of 50).

Ray Marshall
Secretary of Labor
Washington, D.C.

Orrin G. Hatch replies:

I read Secretary Marshall's ridiculous letter with feelings of incredulity that rapidly changed to outrage. No one should be lulled by his – or his staff's – boring bureaucratese into imagining that his comments are anything less than a direct threat to liberty in America. Observe, for example, his slippery use of language. Women have been "consigned" to lower-paying jobs. Who so "consigned" them? In part women have "consigned" themselves to (i.e. voluntarily chosen) less well paid jobs by deciding to work part-time, or by spending a large part of their lives as mothers and housewives when their male business rivals were climbing the occupational ladder, or by simply placing less value on mere material success than men, To attribute the result of a complex variety of multitudinous individual choices to some uniform coercion – as the word "consigned" suggests – is utterly ridiculous. But Secretary Marshall actually does coerce employers and others by means of misinterpreted laws and bureaucratic regulation. How does he describe his own and his department's actions? He tells us that Affirmative Action guidelines "provide" employers with a better yardstick for judging potential employees, as if the Department of Labor allows any choice, and as if employers would not have arrived at such criteria through the workings of the market system anyway. Again, the history of America, in Secretary Marshall's eyes, is a concatenation of tyrannies that not even our worst enemies would recognize. In fact, opportunity and not discrimination has been the central theme of American history, a truth to which generations of immigrations can attest, the latest of whom are struggling ashore in Miami as I write.

It is an interesting comment upon Secretary Marshall's actual meaning, as opposed to his pious words, that he appears to imagine that he has discovered a new set of criteria for employers, to replace the "subjective, generalized concept of 'merit'" in assessing job candidates. But on examination, this new concept turns out to be simply a matter of race and sex. These are the very factors that the Civil Rights Act banned from consideration. One hesitates to guess whether this is a failure of logic or morality.

Secretary Marshall's defense of his Department's persecution of the small construction company I men-

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tioned is also revealing. Even apart from his sheer imperial arrogance in placing the primacy of his Department's arbitrary rules above any considerations of efficiency or common sense, it must be remembered that the result of the Department's activities was to demand 43 separate and onerous procedures from a construction firm so small that it had neither a secretary nor an office, because *5% of its 3 employees were not female*. Affirmative Action, so far as I am aware, does not yet apply to the rules of arithmetic.

Most appalling of all is the fact that Secretary Marshall totally misses the point of my article, which was to assess the costs of Affirmative Action to the economy. Presumably he belongs to that category of bureaucrat that has not yet realized that such regulations do have costs. When this is considered in the context of Affirmative Action's totally illegitimate status in law, Senatorial courtesy prevents adequate comment.

Brandt Commission

Dear Sir:

Reviewing the Brandt Report ("Beneath Charity: The Brandt Report" by Peter Day, Summer 1980) provides yet another opportunity for conservatives to kick sand in the face of the Third World. Mr. Day's grammatical ignorance of the future tense on the first page leads to the spurious accusation that the Brandt findings were preordained. Having shown his unerring instict for misreading fine print, Mr. Day proceeds in quixotic fashion to flail at such unlikely subjects as Yugoslav labor migration, Chinese population estimates, East Germans in Angola, and the Jamaican bauxite levy. After defeating various Western (unnamed) north-south theorists responsible for destroying the Jamaican economy, and imaginary adversaries such as Michael Manley (not, I believe, a member of the Brandt Commission), he rests his case without evidencing the slightest glimmer of understanding of the meaning of the Brandt Report. It would be difficult not to find fault with a report by 18 individuals from countries as diverse as Malaysia, Tanzania, and the United States, but their diversity is a paradigm for a world diversity which Mr. Day resolutely refuses to accept.

The well known radical journal, *The Economist*, noted with regard to the Brandt Report: "North and south are inextricably linked by the $500 billion a year of trade between them, the $300 billion owed by the south (nearly half of it to the north's commercial banks), the $80 billion that the north's multinational companies have invested in the south. Built up in an era of rapid growth and increasingly liberal trade and finance, those links are now strained by stagflation and the illiberalisation it is spawning." The stagflation will grow worse if the illiberal voices are heeded: that, *The Economist* finds, is the central message of the Brandt Report. The search for mutual interests and mutually beneficial solutions lies at the heart of its recommendations.

One need not defend the entire set of Brandt recommendations to recognize the seriousness of world economic trends: slower growth rates, massive debt incurred by developing countries, unchecked oil price increases, growing population

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and environmental pressures, and declining agricultural production in parts of the south. Mr. Day's review is one more depressing bit of evidence (another is the Republican platform) that conservatives have conception of what constitutes American security in the world. Negotiations with the Third World do not require abject surrender to fabian socialism or unilateral disarmament, but it is folly to believe that the United States can retreat into a Fortress America, ringed by brave new missiles and barriers to southern imports. Mr. Day may scorn the cargo cult ideas of the south, but he has nothing to offer but vituperation. His supercilious treatment of the Brandt Report encourgaes global confrontation.

Frank C. Ballance
Carnegie Endowment for
International Peace
Washington, D.C.

Peter Day replies:

Mr. Ballance's accusation of "grammatical ignorance" presumably refers to my describing as an imperative the verb "will" in sentences quoted from the Brandt Commission terms of reference such as: "The need for a new international economic order will be at the center of the Commission's concern."

Now if Mr. Ballance wants to say that the verb is in the future tense, he is welcome, since that would merely mean that the verb is being used predictively – and then one would have to ask on what grounds those who drafted the sentence based their confidence in such an emphatic prediction.

But of course the matter does not turn on an absurd grammatical point, but on the internal evidence of the Report of an "independent commission" which on virtually every page makes unargued assertions or proclamations from higher authorities – the non-aligned movement, the United Nations, and its agencies.

My objections to the Brandt Report have nothing to do with problems arising from diversity of opinions, as Mr. Ballance disingenuously suggests – quite the reverse.

To take just one measure of the same Commission which Mr. Ballance characterizes as a "paradigm for world diversity": of the four countries – South Korea, Hong Kong, Taiwan, and Singapore – which together produce some 60 percent of manufacturing exports from the developing world, not one representative was numbered among the commissioners themselves, or the roster of 25 "eminent persons" invited to "testify or present views" before the Commission.

Those countries have a lot of diverse and interesting opinions to offer anyone honestly inquiring into real-life issues of development – as I recently found in visits to three of them – and they also have a lot to say about the growing protectionist sentiment in developed countries, of which they are the principal victims.

But of course the abovementioned countries – and who knows how many individuals – were ruled out from participation in the Brandt Commission because they are uninterested in anti-Western ideological posturing. Those who refused to give their assent to the dangerous (certainly illiberal) cant of the "non-aligned" movement as the price of "dialog" are after all not confined to the so-called "North."

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Mr. Ballance should also take note that the banking debts in the "South" have been run up as a result of explosive growth in countries such as South Korea and Brazil which long ago gave up the North-South "exploitation" theory of world economic history, as recited in the Brandt Report, as so much snake oil.

On a specific point, Mr. Ballance notes that the Western North-South theorists whom I said took a direct part in the destruction of the Jamaican bauxite industry were unnamed; I shall oblige him with a brief history of the matter.

Following the boosting of the Jamaican bauxite price to uneconomic levels by the massive increase in the production levy, the rich, developed mining nation of Australia joined with Jamaica in forming an International Bauxite Association (cartel) – one of the Brandt Report's beloved international commodity agreements (ICA's).

This would have been impossible without Australia's participation, since the country was the world's biggest bauxite exporter with 20 percent of world exports. (Jamaica had 15 percent.)

This action was taken by ministers of the Australian Labor government of Mr. Gough Whitlam, who were firmly committed to Brandt-Commission type policies toward the Third World, and was accompanied by statements straight out of the Brandt Report.

Mr. Whitlam, for example, told the National Press Club in Washington in May 1975: "Let's face it, for years producer countries have been exploited by Western industrialized nations. This exploitation has provoked retaliation. It's not the fault of producer countries that such groups as the IBA have been formed."

The action was eagerly welcomed by the Jamaican government – but by supporting the higher price structure in the Caribbean at a time of falling demand, the Australian government encouraged the exodus of aluminum companies from Jamaica, and the simultaneous expansion by the same companies of new capacities in Australia, where development officials never failed to stress the country's "stable political environment."

Between 1974 and 1976, Jamaican production was slashed by a full third, from 15.3 million tonnes to 10.3 million tonnes – the beginnings of a devastating industry slump from which the island has yet to recover.

In exactly the same years, Australian output soared by a corresponding amount, from 19.9 million tonnes to 24.1 million tonnes – the first stages of a spectacular expansion of capacity which still continues.

Some people might call that a "sting" executed by one set of Fabian socialists against another; Mr. Ballance might call it flailing out at unlikely subjects; I call it kicking sand in the face of the Third World, Brandt style.

Mrs. Thatcher's Recovery?

Dear Sir:

My thanks for, and appreciation of "Mrs. Thatcher's Relapse," by Andrew Alexander in your Spring 1980 issue. I would only add that Mr. Alexander has, perhaps, been a little *too* hard on Mrs. Thatcher, who is emerging as the first leader of real political principles since Winston Churchill.

Thus he points out that public

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expenditure will actually "be fractionally up on Labor's last year." True, but an inflation rate approaching 20 percent has to be taken into account. Then he suggests that Mrs. Thatcher's Government has shown weakness over both Rhodesia and the British contribution to the Common Market. The upshot of the Rhodesian settlement is still not clear, but at least Mrs. Thatcher won back a substantial amount from the E.E.C., where Britain did not have a single firm ally.

Again, one cannot be happy with the thought that Mrs. Thatcher, "like most women" is "susceptible to the argument that a certain course of action was what she wanted in the first place." I don't think one should generalize about women, as such, any more than about the male of the species.

Having said this in Mrs. Thatcher's defense, may I say that Mr. Alexander's comments on popular British attitudes are very much to the point, and often devastatingly true? Britain is going through a very bad phase in her history. Mrs. Thatcher, with her courage and directness, is one of the few signs of real hope.

Terence Prittie
London

ERRATUM

Due to a gross proofreading error in the Summer issue of *Policy Review*, the byline of James R. Whelan did not appear on his piece, "Under Here?" (*Policy Review* #13, pp. 51-64). Our apologies to Mr. Whelan and his readers.

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1983: How Europe Fell

LEOPOLD LABEDZ

Writing from the vantage point of 1984, we can see with the benefit of hindsight that, in the delicate balance of power between NATO and the Warsaw Pact, Norway had always occupied a special position. In spite of its membership in the Alliance, it had never permitted the stationing of allied troops or of nuclear weapons on its soil. Norwegian political and military attitudes have always been torn between fear of its powerful Soviet neighbor and fear that outside support would serve only to provoke Soviet hostility, between the traditional Scandinavian impulse towards neutrality and the lingering trauma over the German invasion of April 1940. The resulting compromise involved the concept of defense based on the "tripwire" idea whereby Norway expected to be rescued by allied reinforcements arriving within three weeks of a Soviet invasion. Leaning over backwards to avoid Soviet wrath, Norway produced a strategic and logistical conundrum which disregarded the lesson of the 1940 Allied Narvik expedition. As long as the overall balance between the two superpowers was maintained, the Norwegian tripwire was relatively safe and Norway could have its cake and eat it too. It was only when SALT I recognized the Soviet claim to nuclear parity with America that new anxieties about Norwegian (and European) security began to creep in. They were intensified with the continuing Soviet military build-up in the 1970s and particularly after SALT II consecrated the Soviet drive towards strategic superiority.

The Spitzbergen trouble of 1983 can be traced back to what happened both before and after SALT II, but the immediate cause of the crisis was the Soviet attempt to establish a military base on the island.

Although Norway possessed sovereignty over the archipelago, the Soviet Union chose to exercise the right to exploit Spitzbergen's mineral resources granted to it (and to 39 other nations) in the international treaty of 1920. Using its coal-mining operations as a cover, the Soviet Union began to introduce military personnel on to the island. In the 1970s there were

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only a few of them, but in the early 1980s the number of Russians in Spitzbergen increased dramatically, and they even began to drop the pretense that they were there to extract coal. As before, the Norwegian government turned a blind eye and NATO was reluctant to precipitate a confrontation with its mighty adversary, in spite of the strategic importance of Spitzbergen as a gatepost between the Barents Sea and the northern Atlantic.

However, the Soviet decision to issue an open challenge was not dictated only by strategic considerations. Rather, it was a deliberate attempt to create and exploit a political imbroglio in the Atlantic Alliance, leading to a demonstration of its disunity and impotence. As good chess players, the Russians knew that moving a humble pawn when the situation is favorable may have far-reaching consequences for the game. And they were not mistaken.

By 1983 the global strategic situation was indeed favorable for the Soviets. Two decades of unremitting effort to expand its military capabilities — both conventional and nuclear — on land, sea, and in the air, put the Soviet Union at the peak of its power *vis-a-vis* the United States which, having neglected its defenses in the '60s and '70s, could not repair them before the end of the '80s. In the meantime NATO was getting increasingly jittery, American foreign policy was in disarray, and when President Carter avoided additional defense spending after the Soviet invasion of Afghanistan, Europe felt particularly vulnerable because of the growing discrepancy between Western and Soviet forces. This discrepancy rendered the doctrine of "flexible response" (on which NATO strategy has been formally based since 1967 and which asserts that its forces should be able to respond appropriately at every level of threat) a surrealistic joke. In tanks alone the Warsaw Pact already had a 3 to 1 superiority in the '70s, and this had not diminished in the '80s. The Mutual and Balanced Force Reduction talks in Vienna proved to be as illusory about the Western goal of cutting the Soviet edge in conventional weapons as the SALT negotiations had been about achieving the goal of nuclear arms control between the two superpowers. They only brought nearer the possibility of the "decoupling" of European and American strategic interests, of European defense and American deterrence, and contributed to the undermining of the reliability of

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the latter. In view of the fact that the entire land-based part of the American deterrent "triad," the Minuteman missiles, could now be wiped out by a fraction of the Soviet giant SS-18 missiles, while any attempt at an American counterstrike would only invite a devastating Soviet retaliation against American cities, President Carter was not inclined, as President Kennedy had been, "to pay any price for the defense of liberty." It was the architect of "detente" and of the "SALT process," the over-inflated Henry Kissinger himself, who admitted in 1979 that the means of deterrence were currently wanting.

Today, four years later, such means are even less impressive. The idea of a Eurodeterrent, essentially based on Anglo-French or Franco-German cooperation, has not materialized, for national political reasons. In the meantime the Soviet Union has increased the number of its SS-20 nuclear missiles and of its Backfire bombers, which were excluded from the SALT II agreement as "non-strategic," but which can, with their respective ranges, easily hit the obsolete French and British nuclear arsenals and the European airports on which the strategic air-forces are based.

It is not surprising therefore that what looked to the Europeans like a "window of danger" appeared to the Soviet Union as a "window of opportunity." More and more, Europeans began asking themselves: If deterrence was indeed dead, how long could NATO survive? The Russians were of course no less aware of it and therefore decided gently to test NATO's will to resist, and possibly bring about its dissolution by strategic "salami tactics." So as to minimize the risk, they chose as a testing ground an area which was evidently far less sensitive from the point of view of vital Western interests than, for instance, the southern flank of NATO (in an area dubbed in the '70s as "an arc of crisis" with its oil deposits) or the "central front" in Europe. Either of these two strategic directions might have united the NATO countries. But an action in the remote northern waste might perhaps contribute to the divisions in NATO and produce a political chain reaction catastrophic for the alliance. In the circumstances there was no need to obfuscate too much the character of the Soviet action in Spitzbergen and deny that they had combat troops there, as the late Leonid Brezhnev had done in 1979 when replying to the American protest at Soviet military activities in Cuba.

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The Russians wanted to challenge Norwegian sovereignty in such a way as to probe the political will of the West in the early '80s.

The thinly disguised Soviet action in Spitzbergen produced the greatest commotion in the West since the 1962 Cuban missile crisis, but this time the outcome was quite different.

Remember that at the beginning of the trouble the Norwegian Prime Minister, the Social Democrat Odvar Nordli (who was re-elected in 1981 by a hair's breadth against his Conservative opponent, Kaare Willoch), issued a strongly worded protest and demanded Soviet withdrawal from Spitzbergen. The Foreign Minister, Rolf Hanson, consulted his NATO allies and requested from them an expression of solidarity and support. An official NATO declaration regretted the Soviet action and announced that it was a violation of "the code of detente."

Rolf Hanson promptly departed to Washington to discuss the matter with the new American Secretary of State, Andrew Young. It is interesting to remember that it was Mr. Hanson who in 1979, reluctantly supported by the Minister of Defense, Johan Holst, had been instrumental in arranging for the construction on Norwegian territory of a new monitoring station which had made it possible for the Americans to achieve better observation of the Soviet compliance with the provisions of SALT II, which were still observed by the U.S. government although not formally ratified by the Senate. This Norwegian decision, taken very much against the grain of neutralist tendencies and in the teeth of bitter internal opposition, particularly impressed those who, like Senator John Glenn (the former astronaut) were worried about the effectiveness of the American "national means of verification" through electronic sensors after the monitoring stations in Iran were lost in the 1978/9 upheaval. Remember also that when the Americans asked Turkey to allow U-2 flights over its territory, the Turkish Prime Minister, Bulent Ecevit, made permission conditional on Moscow's agreement, thus in effect putting the decision in Soviet hands.

In contrast, the Norwegian government granted the Americans new facilities, in spite of internal protests, Soviet pressures, and pleas by the Finnish President. Referring to the Turkish refusal, the Oslo *Aftenposten* explained:

Norway cannot follow such a pattern when we make our

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> decision. On the Norwegian side a determining factor must be that we see our interests served by the ratification of the SALT II agreement and its subsequent verification in a satisfactory manner. Obviously, the ratification debate in the United States will be greatly influenced by the U.S. potential to monitor Russian compliance with the treaty, and this should make Norway accommodating to the American request.

When SALT II was finally ratified, after the delay due to the Cuban and Afghanistan episodes, the NATO allies of the United States did not realize that European security had been thrown to the winds. Even the sensational *volte face* of Henry Kissinger, who admitted at a Brussels conference in September 1979 that the basic premises of his SALT policy had been wrong and warned the Europeans not to rely on the American nuclear deterrent, failed to shake European complacency and negligence. The SALT problem did not become the subject of a Grand Debate in Europe, as it did in the United States, although it was of vital importance to Europe's survival.

All NATO members (including the U.S.A.) pursued the shortsighted policies of national rather than collective defense, although in principle they were all agreed on the need for the latter (with the exception of France). The inability of NATO even to achieve standardization of weapons was just one manifestation of the fundamental difficulties involved in reconciling the general military needs of the Alliance with the separate interests of its members. These interests were often so narrowly conceived that they were undermining the basic purpose of the coalition.

It should have been obvious that once the point had been reached when the American deterrent could no longer be taken for granted, European security and the unity of NATO were now in jeopardy. Yet all proposals to rectify the situation and to compensate for the emergent weaknesses by new arrangements failed because of the political myopia of individual European countries pursuing their *sacro egoismo*, through the inertia of the French *defense de tous les azimuts*, because of the German *Ostpolitik*, and the British indifference towards Europe. Because of these attitudes to the question of common defense, no program has been agreed upon which would redress the enfeebled balance on this side of the Atlantic. Europeans

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provided 75% of NATO's conventional forces at the end of the '70s, but those forces were no match for the Warsaw Pact armies, in spite of increasing military expenditures. They reached the yearly sum of 150 billion dollars, of which Americans contributed most, both per head of the population and as a percentage of the total, yet which in spite of its size was not used rationally enough to provide, as it should have, an effective common defense.

President Carter's career as a "born-again hawk" following the Afghanistan invasion was short-lived. In his second term, he reverted to his earlier inordinate fear of seeming anti-communist, and made it clear that he was determined to achieve a lasting accommodation with the Soviet Union. He immediately put on the agenda of the SALT negotiations a proposal for symmetrical "deep cuts" in the American and Soviet nuclear arsenals. He declared his readiness to stop the development of the MX missile system immediately, if the Soviet Union agreed to the phasing out of its own SS-18 heavy missiles. *The Washington Post* published an editorial about this proposal entitled "An Opportunity for Mankind." *The New York Times* hailed it as "an imaginative and constructive initiative to remove the nuclear cloud from the horizon." The Manchester *Guardian, Le Monde* and *Die Zeit* all welcomed warmly "the American decision to end the cold war." Senator Jackson pointed out that the symmetry was spurious, that it required the abandonment of the weapons system (the implementation of which had been the asking price for the SALT II ratification by the Senate), and that it was matched only by unverifiable Soviet putative actions in the future. But this was not well received by the media in the "honeymoon period" that followed Governor Reagan's narrow defeat.

By a curious coincidence, President Carter's second inauguration coincided with the death of Leonid Ilich Brezhnev. His successor, Ilya Vissarionovich Leonidov, popularly known as "Muromets," emerged as leader only in the second phase of the struggle for succession. At the beginning of it he was still unknown, being an obscure member of the Central Committee of the CPSU. He was nominated to the Party Secretariat when Suslov, Kirilenko, and Kosygin, the elderly "Troika," blocked an attempt by Chernenko and his "Dnepropetrovsk mafia" to take over the vacant leadership. They decided to abolish the post of

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the Party General Secretary, knowing well the threat it had posed to the Politburo oligarchy on past occasions. They packed the Secretariat with their own proteges, establishing a balance between them similar to the one between themselves in the Politburo. To minimize the risk of challenges to their own authority, they picked up relatively young and unknown *apparatchiki* for these positions. *Pravda* praised it as an example of Soviet democracy in action, and declared that the recently departed great Leonid Ilich was always upholding the principle of "collective leadership."

The new American administration was pleased with the prospect of the divided authority in the Soviet Union because it hoped that it would be less inclined to indulge in foreign adventures. It was ready to help it overcome one of the permanent features of the Soviet economy: its "temporary difficulties" in agriculture, hoping thereby to improve the position of the mythical Soviet "doves" against the less mythical Soviet "hawks" in the struggle for succession. For that purpose, it borrowed the idea first put forward by the economist John Kenneth Galbraith and by the chairman of Pepsi Cola, Donald M. Kendall, (both members of George Kennan's Committee on East-West Accord) who proposed, in the interest of Soviet-American understanding and for the sake of human rights, to exchange 50 million tons of grain for the Kirov and Bolshoi Ballets. It was all the more acceptable to the Soviet government as the two companies were already severely depleted by the defections of their most prominent dancers: Nureyev, Makarova, Baryshnikov, Godunov, the Panovs, and the Kozlovs, and it was difficult to send the two ballets on their tours abroad without risking further defections. It was therefore not altogether disagreeable to the Russians to make the best of it and get the grain to fill in the deficiencies created by the repeated harvest failures.

The deal was at first negotiated by the then American ambassador in Moscow, the former head of IBM, Thomas Watson, and successfully concluded by Sargent Shriver, who was appointed to replace him in a Presidential gesture aiming at unity in the Democratic party. Like Mr. Watson, who believed that "What is good for IBM is good for the United States," Ambassador Shriver was on excellent terms with the Russians, having also done a good deal of business with them (after his

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defeat as Senator McGovern's vice-presidential candidate in the 1972 election). As a former head of the Peace Corps under President Kennedy and previously a founding member of the isolationist America First Committee in 1940, he had not only the necessary connections for his new job, but also the right attitudes and experience to perform it with distinction in the second Carter administration.

The arrangement was applauded by the press as a step towards the revival of detente and an example of cultural exchange and economic cooperation in the spirit of the Helsinki agreement. The first performance of the newly born Bolshoi Kirov Washington Ballet Company at the Kennedy Center was a glittering affair attended by "everybody who was somebody" in the new administration in Washington.

Two former Presidents, Nixon and Ford, graced the occasion. The Red Army choir sang the old Soviet song: "*Ya drugoi takoi strany nye znayu gdye tak volno dyshet chelovyek*" ("I know no other country where man can breathe so freely!"), which was already a favorite in Stalin's Gulag time. In an interview published in *Time* magazine, Ambassador Dobrynin extolled the agreement as a modest but important step satisfying mutual interests of the two countries.

When soon after, Ilya Vissarionovich Leonidov became a member of the Politburo, the Western press interpreted it as an indication that the post-Stalinist generation was taking over in the Soviet Union, that the days of gerontocracy were numbered (the average age of the members of the Politburo was then above 70), and that the new, peaceful and rational, bourgeoisified and reformist, Soviet Union was finally in sight. *La Repubblica* and *l'Espresso* criticized Signor Berlinguer for not seeing that the changes in the Soviet Union were likely to be more rapid than those in the Italian Communist Party. The *International Herald Tribune* published an editorial entitled "The Changing of the Guard" in which it ventured the opinion that new blood in the Soviet leadership was long overdue. And when Mr. Leonidov officially became the First Secretary of the Party, the Manchester *Guardian*'s imaginative Soviet specialist, Victor Zorza, wrote that he had predicted it long ago and that anyway there was a profound Kremlinological difference between the title of the First Secretary and that of the General Secretary.

However, the new leader and his rejuvenated Politburo have

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shown few signs that their foreign policy will be different from the one pursued by their predecessors. Neither the Troika of gerontocrats nor the elderly Young Turks who succeeded them have been willing to accept President Carter's "deep cuts" proposals. As readers will recall, after the short Soviet "offensive of smiles" the situation in the Middle East and Yugoslavia created new tensions between the superpowers.

In the Middle East, in spite — or perhaps paradoxically because — of the continuing turmoil, the Soviet Union could not consolidate the political gains and strategic opportunities offered by the Iranian revolution and the final mopping-up operation in Afghanistan. Although it continued with its efforts to penetrate the area and to exploit the religious, ethnic, and political antagonisms there for its own purposes, the traditional Russian thrust to the south could not be finally consummated without a direct military drive, which the Soviet leaders were still reluctant to undertake. Still, even without direct Soviet military intervention there were enough fires stoked in the Middle East to make the situation potentially explosive and the West with its oil preoccupations constantly on edge.

In Yugoslavia, since Tito's death, the situation has ostensibly not changed, but everybody realizes that it is fundamentally new. This is not simply because of the disappearance of the leader whose authority cannot be replaced. In spite of his efforts to ensure a smooth succession and continuity of his policies in the institutional framework he had been elaborating with this purpose in mind over many years before his death, the plain fact is that it didn't work. Nobody can rule, even indirectly, from six feet under, as even Stalin must have discovered. Nor is it because the only Yugoslav who could unite Serbs, Croats, Slovenes, Bosnians, Montenegrins, and Macedonians is no longer there. It is because the premises of Tito's policy already began crumbling before his death. He succeeded in keeping Yusgoslavia communist and non-aligned. It was a balancing act which assured both the independence of Yugoslavia and the dominant position of Tito's regime in it. But when Fidel Castro, as the new chairman of the non-aligned movement, succeeded during the 3 years after the 1979 Havana conference in tilting it towards alignment with the Soviet Union, some of the non-aligned countries, headed by Yugoslavia, left the organization in protest against the subversion of

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its fundamental platform. This has not changed the fact that Yugoslavia can no longer afford to pursue effectively the old Titoist policy. The undermining of its external leg – the support of the non-aligned – made the balancing between the two blocks more difficult, and in the long run, because of Yugoslavia's geopolitical situation, impossible. Besides, even the remaining rump of the former more or less genuinely non-aligned states, through the inevitable polarization, began to lean more towards the West, even though, as the then Foreign Minister of Singapore, R.S. Rajaratnam, made perfectly clear, they had their doubts about its reliability. But, like Egypt under President Sadat, they had little choice. Faced with the growing Soviet threat of subversion and renewed Soviet political pressures after Tito's death, Yugoslavia could either succumb to them or move closer to the West. There was no more room for the old balancing act; a new game was afoot in the Balkans. The external polarization of the non-aligned had been paralleled by the internal polarization in Yugoslavia, thus undermining the other leg of the Titoist position. Two distinctly opposite orientations began to emerge, the one advocating a move from non-alignment to the Westernized, Austrian type of neutrality and the other which was for a *rapprochement* with the Soviet Union and consisted of the remnants of "Kominformists," some traditionally pro-Russian Serbians, and those Party and UDBA elements who were worried about the future of the communist regime in Yugoslavia. Although Soviet support for the latter was not matched by Western support for the former, new tensions between East and West have inevitably arisen in the area as the loss of the non-aligned Yugoslavia would have had far-reaching political and strategic implications for NATO. As the official newspaper *Borba* put it: "The Balkans are now a powder keg between the hegemonist arsonists and the imperialist firemen on strike." China supported Yugoslavia's independence, but as the late Chou En-lai once said in this connection: "Distant waters do not extinguish fires."

Here also, the new Soviet leaders were reluctant to engage in a military confrontation, the threat of which might have reconsolidated the NATO alliance. But although there were continuous disagreements among the new Soviet leaders about the strategy of expansion, with some advocating a southern and others a western direction, Ilya Vissarionovich Leonidov

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prevailed with his proposed salami tactics in the north.

That 65 years after the revolution the expansionist urge was not dead in the Soviet Union should not have come as a surprise. As it happened, two factors coincided in 1983: one was that the Soviet Union was more powerful than ever before in relation to its adversaries, a state of affairs unlikely to persist forever, and the other was that its internal difficulties were growing.

The first factor was a result of two decades of Soviet military effort and two decades of Western military neglect. Already at the end of the '70s there was a general agreement among military specialists, both pro- and anti-SALT, that strategically the West would reach the point of maximum danger in 1983 and it should have been clear even to non-experts that this danger would persist unless and until urgent measures were taken to reverse the trend and rectify the balance.

The second factor was not unconnected with the first. Soviet obsession with considerations of ideology and power dictated its political priorities and produced the highest peacetime military budget of a great power over the longest period in history. This contributed to the neglect of other preoccupations and thus to the aggravation of some internal as well as external difficulties. As a result, the Soviet Union finds itself in the '80s with a host of problems which sharpened still further its dilemma of internal reform or external expansion. Its economic growth has slowed down to an unimpressive rate. Its technology would have become obsolete without Western transfers. Its agriculture cannot feed its population. Its oil production has become insufficient. It has had troubles with its East European satellites and some of its minorities have become restless. Its ideological appeal has worn thin. And it has itself helped cement politically its diverse antagonists: the U.S.A, China, Japan, and Western Europe. Its only remaining historical asset is its growing power, its ability to intimidate and to compel, to instill and to exploit fear.

By 1983 the ascending line of Soviet external potency had crossed the descending line of Soviet internal potential weaknesses. The dilemma presented itself to the Soviet leaders more sharply than ever before: either to achieve external successes (for which so much had been sacrificed and to which political and economic investments had been geared all the time in the past) or turn to internal reform (which had been rejected in the

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past when it clashed with the vested interests of the groups and institutions dominating the Soviet regime – even though reform had been somewhat less threatening to the regime's legitimacy and survival than it would be now). There were of course many analysts in the West who were always arguing that because of the perceived Soviet difficulties, the new generation of leaders would turn inwards. That was the Shulman-Vance school of thought under President Carter, but all experience, previous and subsequent, has shown that these were the voices expressing wishful thinking and complacency. The internal weaknesses were there for all to see in the '80s, but they only acted as an additional spur to foreign policy action. For the new leaders it was a question of moving forwards or sliding backwards, of compensating for internal failures by successes in the international arena or facing the music at home without the benefit of patriotic euphoria.

Once again the hoped-for change in the character of Soviet foreign policy proved to be a chimera. Its essential continuity was as much in evidence in the '80s as in the previous period. The new leaders were not only pursuing the same goals as their predecessors, they were also circumspect in taking risks. The Young Turks might have been bolder than the old gerontocrats, but it was only because they were more powerful and could afford it. But although they were in no less of a hurry, they were no more disposed to take undue risks. They were not adventurers, they wanted to win without a nuclear holocaust.

For all these reasons, Ilya Vissarionovich Leonidov decided that the test of Western will over Spitzbergen involved the lowest risk, while offering a chance of political gains in Europe. Potential general Soviet benefits were out of all proportion to the intrinsic strategic value of the island and the perils of escalation involved. A demonstration of American and European impotence might have far-reaching political consequences for NATO, for the prospects of European "self-Finlandization," and for the power balance in the world. As all good strategists do, Mr. Leonidov concentrated on the main goal: a strategic breakthrough. Europe has remained the supreme prize ever since 1945. As the Spitzbergen crisis has demonstrated, he was not mistaken.

Readers will recall how at the beginning a Swedish journalist reported in Stockholm's *Dagens Nyheter* that the Russians

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were beginning to build a naval base in Spitzbergen. Although it was a fact with obvious military implications, the official reaction in Europe and America was at first subdued. The Americans, under the Carter administration, were not inclined to be alarmed about an island in the frozen wilderness across the Atlantic, when not so long ago they had consented to the Soviet presence in Cuba, only 90 miles from their own Key West. The Europeans were also reluctant to make a fuss about the story. There was perfunctory disapproval in the Western press of the Soviet action, but it seemed too insignificant to get very agitated about. It was not quite clear what its nature was, how serious a danger it constituted, or indeed whether it was pregnant with any important consequences. The fact that it was reported by a "neutralist" Swedish newspaper made it more difficult to doubt its authenticity, but did not stop many Western politicians and journalists from doing precisely that, or at least from minimizing its significance. Confusion was added to ambiguity, when Mr. Gromyko issued a strongly-worded denial, accusing Western cold-warriors of stirring up anti-Soviet feelings about a non-existent Soviet threat. The TASS communique published in *Pravda* referred to the "routine Western falsification" ("*ocherednaya zapadnaya falshivka*") and called it "a lie and a provocation" ("*Vse eto yavlaetsya sploshnoi lozhyu i provokatsyey*"). It declared that naval facilities in Spitzbergen were built for peaceful purposes: namely to facilitate the transportation of coal. With its usual heavy irony, *Pravda* added: "The bourgeois gentlemen find it difficult to recognize an expansion of coal production at a time when monopoly capitalism is closing the coal-pits and creating unemployment among the miners." It did not mention of course the presence of the submarine repair workshop or of the dry dock among the new peaceful facilities at Spitzbergen. The German liberal *Die Zeit* was somewhat uneasy about it, but it pointed out that in Hamburg, where it is published, similar facilities exist to help move the coal: it is normal for repair workshops and dry docks to be used for merchant shipping.

Yet the story did not die down, perhaps because the Soviets would not let it. An article by the Moscow correspondent of *Stern* magazine, quoting "reliable sources" mentioned a forthcoming visit to Spitzbergen of the retired Soviet Naval chief, Admiral Gorshkov. That naturally created a flurry of puzzled

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comment in the Western press. It could not feed any more on the information provided at governmental briefings, which were based on official (as opposed to innate) intelligence: the CIA and other Western spying agencies had by now been rendered impotent. In their frantic search for a "news story," Western journalists were ready to swallow any bit of information, including Soviet disinformation. The Moscow correspondent of the London *Evening News*, the KGB-sponsored "journalist," Victor Louis, wrote that there were no Soviet submarines in Spitzbergen, but also dropped a hint that there was more to the story than met the eye, that there were indications of forthcoming new Soviet diplomatic initiatives. Being in the dark, but having to meet their deadlines, *Newsweek* and *Time* printed (as usual by coincidence) the picture of "the father of the Soviet Navy," Admiral Gorshkov, on their covers, while *The Sunday Times* of London (resuscitated in 1980) published a profile of the peace-loving Soviet First Secretary, Ilya Vissarionovich Leonidov, by its Moscow correspondent, Edmund Stevens.

Yet gradually the serious character of the problem began to be grasped. The Swiss liberal-conservative *Neue Zurcher Zeitung* and the German liberal-conservative *Frankfurter Allgemeine Zeitung* both pointed out that the Soviet action challenged NATO by violating the sovereignty and territorial integrity of one of its members. *The Wall Street Journal,* the London *Daily Telegraph,* and *Die Welt* elaborated on the theme, reminded their readers of Soviet expansionist actions in the past, and warned against appeasement. What become known as "the Spitzbergen crisis" began to develop.

Soon enough, the Norwegian government (or one of its Ministers) leaked to the press the *aide memoire* it had sent to the member countries of NATO containing the story of the creeping Soviet occupation of Spitzbergen. It also disclosed the repeated protests which it had lodged with the Soviet government, as it happened, to no avail: they were all ignored. The disclosure created a sensation, particularly because it revealed that the Nordli government called upon its NATO allies to provide diplomatic, political, and, if necessary, military aid to help Norway deal with the situation.

The cat was now out of the bag. Western governments and the Western public now began to display their attitudes to the

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crisis. Few were ready to stand up and be counted. The Europeans knew in their bones that this time they had to face the challenge without relying on the ultimate deterrent of American nuclear superiority. Indeed, this was a reversal of the 1962 confrontation over Cuba: we now had to face the consequences of the erosion of Western strength which had occurred during the 21 years between the two dates. It was obvious that if things were to come to the crunch, the United States would not be ready this time to take an "eyeball to eyeball" stand on the issue of Spitzbergen, and such knowledge was enough to paralyze politically the European members of NATO, even though they were now directly involved. They continued to procrastinate, but apart from some obscure diplomatic inquiries, they did nothing. As is still fresh in our memory, the prevailing attitude in governmental circles has been that "it is imperative to avoid producing a crisis."

While governments were doing their best not to call a spade a spade, the world media were displaying a jittery fear reminding one of Europe in 1938 and 1962. The former editor of *Le Monde*, Jacques Fauvet, published a signed article under a suggestive title, "Mourir pour Spitzbergen?" (reminiscent of the celebrated article by the future collaborationist, Marcel Deat, "Mourir pour Dantzig?" published by *l'Oeuvre* in 1939). M. Fauvet argued that it would be folly to risk a nuclear war over such a miserable piece of territory. *The Washington Post* commented in an editorial entitled, "What Price Spitzbergen?" that "although the principle of national integrity of the NATO states must be preserved, the Spitzbergen affair is far from a clear-cut case on which it can be tested, fraught as it is with unimaginable dangers for mankind." The liberal Manchester *Guardian* said that Norwegian democracy would be better preserved without a direct confrontation with its powerful neighbor and pointed out that this had been the case with Finland. In Japan, the three establishment newspapers, *Asahi Shimbun, Yomiuri Shimbun,* and *Mainichi Shimbun*, explained to their readers that Spitzbergen, like Kuriles, is an archipelago, that like the southern Kurile islands, Etorofu, Kunashiri, Shikotan and Habomai — known in Japan as the Northern Territories — it was now occupied illegally by the Soviet Union, but that unlike them it was not worth the candle. The more "progressive" Western journals were inclined to see the Spitzbergen affair as a CIA

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invention. They attacked their governments, as they had done during the 1962 Cuban missile crisis, for "playing the American game."

Faced with the indifference and inactivity of his allies, the Norwegian Prime Minister, under strong pressure from the neutralist elements of the government and opposition, decided to initiate direct separate talks with the Soviet government. The previously pro-NATO *Berlingske Tidende* provided a sympathetic comment in Copenhagen:

> Norway is deeply involved in difficult negotiations with the Soviet Union. So far as Denmark is concerned it can be expected that it will also actively strive to achieve a modus vivendi. Denmark has always refused to have any nuclear weapons on Danish soil, and now it is clearer than ever before that, as the Minister of Foreign Affairs, Henning Christophersen said yesterday, we must not provoke the Warsaw Pact countries into a new and costly armament race. We are now faced with the problem of bridling the underlying tension in the Nordic balance and we hope that Scandinavian solidarity can achieve it. The Danish government must lend credence to this idea.

When the negotiations with the Soviet Union produced a deadlock, with the Russians installed in Spitzbergen, the Norwegian Prime Minister resigned. A new all-party government was formed. It decided to leave NATO in the hope that as a neutral power its relations with the USSR would improve. It also proposed a merger with Sweden (from which Norway had separated in 1906). But Olaf Palme, who was now the Swedish Prime Minister again, rejected this proposal, the implementation of which, he felt, might be considered provocative by the Soviet Union.

The Norwegian decision had further repercussions inside and outside NATO. Turkey, where the "right-winger," Suleyman Demirel, had replaced the "left-winger," Bulent Ecevit, as Prime Minister, had for years been toying with the idea of neutrality. In Greece the influence of the "left-winger," Andreas Papandreou, had dramatically increased since the retirement of the "right-wing" President Karamanlis. Both countries had been competing for Soviet favors ever since the '70s. After the example of Norway demonstrated how little support a country can expect from its allies in times of

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national emergency, Mr. Papandreou, who was always fervently anti-NATO, pressed for the final termination of the on-and-off negotiations about the return of Greece to NATO's military wing and for giving up membership of the alliance for good. The mood in the country was increasingly sympathetic to these proposals. The pro-Karamanlis, though somewhat "progressive" publisher, Helen Vlachos, wrote in the daily, *I Kathimerini* (which she resumed publishing when she returned to Greece from her exile in London after the fall of the Colonels' regime):

> Surely the discussions about the return of Greece to the military wing or the full membership of NATO have been overtaken by events. In the light of the Spitzbergen sequel there is hardly any point in reviving the old Haig plan or negotiating any other arrangements with NATO. It is not just a question of their being contrary to our national sovereignty, but of the simple fact that it is the existence of NATO which is now in question. In view of its present prospects it is certainly necessary to put a new Greek foreign policy on the agenda.

The pro-Papandreou paper, *Rizopastis*, put it more bluntly:

> We have been advocating the ending of Atlantism for a very long time. Today we ask: Is it not clear that we were right in insisting on the anti-national character of Karamanlis's Atlantic policy; Is it not obvious at this moment that it was never in Greece's interest? Has not the Spitzbergen affair shown the total error of the line that 'we belong to the West'? The withdrawal from NATO will not undermine the country's security, as the followers of Karamanlis, so discredited at present, always maintained. On the contrary: it can only be of national benefit by enhancing the position of Greece vis-a-vis the socialist countries at a time when the cold warriors call for another crusade against them, a crusade which, as recent events have made manifestly plain, is doomed to failure.

Shortly thereafter Greece formally left NATO. Not to be outdone, Turkey also decided to move out of the Atlantic alliance. Although the decision was undoubtedly precipitated by the Spitzbergen "demonstration effect," it was the outcome of a long process. Already in 1979, when, after the Iranian debacle, the United States asked Turkey for new observation facilities, the then Turkish Foreign Minister, Gunduz Okcun, said: "We

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have told the United States not to consider us a spearhead of NATO." Now the Istanbul paper, *Cumhuriyet*, declared:

> The long history of Western neglect of Turkish interests, of the lack of understanding of our position, and the growing distrust between Turkey and other NATO countries have made the continuing cooperation between us and them inconceivable. We welcome therefore the statement by our Foreign Minister, the honorable Ihsan Sabri Caglayangil, that Turkey has decided to quit NATO and return to our traditional policy of neutrality.

Neither Greece nor Turkey was inclined to join what remained of the non-aligned grouping of countries which had earlier been moving closer to the West, but at the moment were in growing disarray.

Thus the fat was in the fire, or to change the metaphor, dominoes were falling. The incompatibility of the "SALT process" with NATO strategy and with the preservation of the morale of NATO countries has been made obvious by history itself. At this late hour Her Majesty's Government proposed that the remaining NATO members should pool their technological and economic resources to create a genuine common defense which would include a European nuclear deterrent based on the integrated and modernized Anglo-French nuclear forces.

Unfortunately, like Churchill's offer to merge the British and French empires, made in 1940 just before the fall of France, the proposal came too late. It could not be implemented because it was politically impractical. It was an attempt to close the stable door after the horse had bolted. The smaller West European countries supported the idea, but the most important states, France and Germany, refused to accept it.

The French President, Francois Mitterand, elected in 1981 by a small majority, had no majority in Parliament and had to face shifting coalitions there to produce a government. He was personally inclined to go along with the British initiative, but was persuaded against it by his political ally in the Socialist Party, the leader of the left-wing faction, Jean-Pierre Chevenement, who argued that this would result in another governmental crisis.

The Communist leader, George Marchais, and the Gaullist leader, Jacques Chirac, organized powerful demonstrations in

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Paris to defeat the proposal. One consisting of the Communists and their allies from the CGT (*Confederation Generale du Travail*) completely filled the traditional route of such demonstrations from the Place de la Republique to the Place de la Bastille. Its participants carried all-purpose placards against multinational corporations, as well as the ones more fitting for the occasion, placards depicting Mrs. Thatcher as an "Iron Lady" sitting on a mangy British lion. To express the solidarity of the British working class, a delegation from the other side of the Channel participated in the demonstration, with Vanessa Redgrave marching between Tony Benn (nee Lord Stansgate) on her left and Michael Foot on her right. The other demonstration consisted of the right-wing elements. Young Gaullists and old Petainists marched in it as usual towards the Place de la Concorde. They carried placards with such slogans as: "*A bas le gouvernement de trahison nationale!*" ("Down with the government of national treason!"), "*Mitterand au poteau!*" (Mitterand to the gallows!"), and similar ideas inspired by the occasion.

George Marchais gave an interview on the popular TV program, Antenne II, in which he fulminated against "the surrender of French sovereignty and independence," while Michel Debre, one of the surviving Gaullist "barons," denounced the British proposal as a crime against *La France libre et eternelle*. Giscard d'Estaing remained somewhat ambiguous. In the circumstances, the French government rejected the British initiative. Shortly after, a formal invitation was issued from Palais .Mattignon asking the Soviet leader Leonidov to come on an official visit to France.

In Germany the reaction was similar, even if the reasons given were different. Also, unlike in France, there were fewer voices (such as those of Raymond Aron and Jean Francois Revel in *l'Express*) advocating the acceptance of the British conception. Fundamentally, the German rejection was based on the same arguments which were already thoroughly rehearsed when the Germans refused to entertain the idea of the two French Gaullists, Alexandre Sanguinetti and Georges Buis, who proposed in 1979 the creation of a nuclear Eurodeterrent based on Franco-German cooperation which was to have laid the foundations of a new "European Defense Community." Also at that time, the "grand old man" of Gaullism, Michel Debre, had been

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strongly critical and stressed that defense could only be "national." The Communists said that it would undermine detente with the Soviet Union and it was of course also strongly disapproved of by Moscow. The German government, which had contemptuously dismissed it then, was even more peremptory now. The present situation intensified German fears, increased their tendency towards neutralism and "self-Finlandization," and made the alternatives starker in the light of the post-Spitzbergen experience. Although Herbert Wehner, the Social Democratic advocate of Soviet-German *rapprochement*, was dead, the Wehner-Bahr tendency was now more tempting than ever. It was embraced with particular fervor by the former *Jusos*, the quondam Marxist leaders of the socialist youth organization, who were at present strongly entrenched in the apparatus of the Social Democratic Party and many of whom had already reached positions in its leadership. They were agitating strongly for the rejection of the British plan which, according to them, "could only reinforce the hold of state capitalism over Western Europe and increase the danger of war." It was also strongly criticized by the ex-minister of defense, Hans Apel, and no less strongly opposed by the majority of Christian Democrats, who were afraid that it might spell the end of their dream of a reunited Germany. West German Chancellor, Helmut Schmidt, re-elected in 1980, in spite of a spirited electoral performance by the leader of the opposition, Franz Josef Strauss, had little doubt about what he was going to do, and had little difficulty in ditching the British scheme. It found few adherents in Germany. Not even Franz Josef Strauss could be found openly advocating it.

Indeed, there was only lukewarm support for it in Great Britain itself. The Shadow Foreign Secretary, Tony Benn, again condemned it in the House of Commons as "a cynical move, lightheartedly playing with fire and risking the lives of all our nearest and dearest, all British men, women and children." Barbara Castle, who was still active as an anti-European in a European Parliament in Strasbourg, denounced it there as "a betrayal of the European idea" which, she hastened to add, was not a good idea in the first place. Enoch Powell castigated it as a plot against the national sovereignty of Great Britain and Northern Ireland and pointed out that Russia was after Portugal, Britain's oldest ally. James Callaghan, "the sunny Jim" now

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retired on his not-so-sunny farm, gave persuasive reasons for being both for and against it. Margaret Thatcher, who had recently emerged bloody but unbowed from another winter of Trade Union discontent, and was soon to be facing a general election, had to admit the failure of her initiative.

It was the swan song of Europe, the last attempt to preserve what remained of its independence. It had been successfully undermined by the patient efforts of the Soviets over four decades. In 1945 they swallowed Eastern Europe. In 1984 Western Europe lies prostrate and in mortal fear of the *Russian bear*. From now on it is *sauve qui peut* for the nations of the West, a predicament long feared and predicted by some, a quandary in which it is every country for itself and the devil take the hindmost. In such circumstances it was evident that NATO had no chance of survival even in a truncated form. A small pebble from Spitzbergen produced a European avalanche. Mr. Leonidov had good reason to feel pleased. Deterrence of the Soviet Union has been replaced by a deference towards it.

It is curious how many of those who were worried about the growing threat to Europe failed to understand the nature of the danger. In particular, the NATO generals always thought of it simply as a question of warfare, not realizing the complex relationship between the military potential and political strategy, as well as their interdependence with the morale and resolution of societies and nations. They visualized the perils as uniquely martial in nature and wrote about them within this restricted perspective. In 1976, the Belgian general Robert Close published a book, *Europe Without Defense*, in which he warned that the Warsaw Pact forces in a surprise attack could reach the Rhine in 48 hours and inflict an irremediable defeat on NATO. In 1978, General Sir John Hackett published a futurological scenario, *The Third World War, August 1985*, which became a best-seller in Europe and America, and was even read by President Carter. (You are of course aware that in the fall of 1977 President Carter said: "There are only two alternatives as to what the Soviet leaders are up to. One is that they are out to destroy the world. The other is that they are out to improve the standard of living of their people. I have to assume the latter.") General Sir John Hackett considered in his book the other alternative – war – and described with a wealth

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of realistic detail the way it would be fought. He changed his original scenario for the outcome of the 1985 war in Europe and provided the book with a happy ending, in the form of a NATO victory after a short military action during which one city on each side was destroyed by nuclear bombs. A "cautionary tale" intended to highlight the weaknesses of NATO and the need to eliminate them, it was in effect a Panglossian gloss on a horror story (which somehow turns out all right in the end). But the basic flaw of all these assumptions, of President Carter and of the Generals, was that, whether they were optimistic or pessimistic, they lacked the understanding of the political dimension of the problem. We now know from experience that President Carter was wrong in assuming Soviet domestic benevolence. And we also know that the Generals were wrong because NATO has disintegrated without Soviet military action. The Third World War, if it is to be so called, was lost by the West without a shot having been fired. The Soviet Union intended all along to win a *cold* war. It is ironical that the issue which finally defeats the Russians in General Hackett's fantasy – the restlessness of Eastern Europe – was the one issue the importance of which the West was always ready to disregard. While the East Europeans had been written off – from Yalta to the Sonnenfeldt doctrine – it was the West Europeans who were preparing their own demise through their lack of political courage and the consequent lack of political foresight.

The disintegration of NATO, coming as the outcome of the Spitzbergen crisis, has made a great impact on the American scene. It could no longer help Europe, but it had the effect of a Pearl Harbor on the United States. The national debate concentrated not only on the question of who was to blame for the "loss of Europe," but also on what could be done in the circumstances. The "doves," such as Earl C. Ravenal, argued that "NATO's unremarked demise" had already occurred in the '70s and was due to the defective nature of the alliance itself. The "hawks," such as Senator Jackson, could only say, "I told you so," but this left a bitter taste. The popularity of President Carter has fallen disastrously and there has been talk in Washington about the inevitability of the Sino-American alliance and the Republican president whom everybody expects to be elected in 1984.

But all this is too late for the Europeans. They have to face

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the prospect that the first concentration camps may be under construction in the same year of 1984. . .

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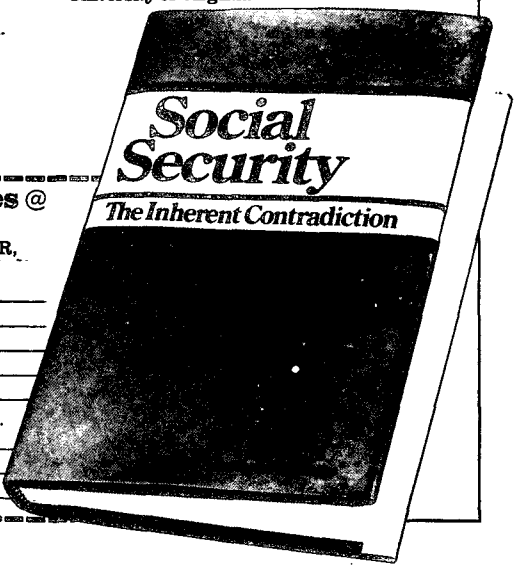

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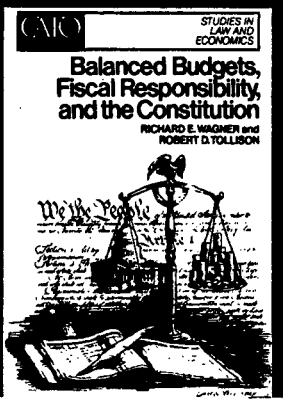
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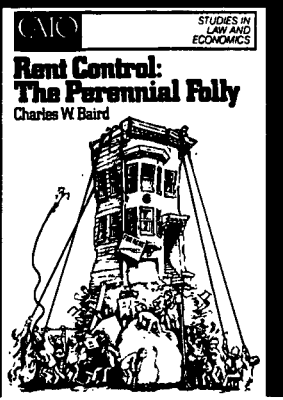

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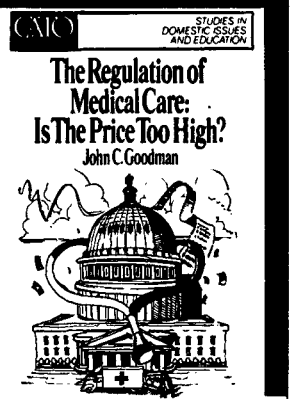

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Over There

Contents:
Textured Canadian Nationalism

Nationalism, like love, has little logic. This said, only a fool would deny legitimacy to a passion on the grounds that it makes no sense. But it is a time-honored method to counter one passion with another, which is why Canada's story from the early 1960s to the present day has been the battle of two nationalisms. The first is French-Canadian nationalism, striving for the separation of Francophone Quebec from the rest of Canada. The second is a vision of Canadian nationalism, striving – far more unrealistically – for a separate "identity" from the United States.

The first movement came to its culmination in May, 1980 when Premier Rene Levesque's Parti Quebecois asked for a mandate (answer "oui" or "non") from the 80 percent French and 20 percent English citizenry of Quebec to negotiate a new "sovereignty-association" with Pierre Elliott Trudeau's federal government in Ottawa. When the votes were counted, the "nons" had it by a margin of nearly 2-1. This was the news in May. What follows are a few impressions and some background.

Referendum Day, May 20, 1980: The state-financed Canadian Broadcasting Corporation took it very seriously. We had months of pre-referendum programming with charts and opinion polls punctuated by specially designed little CBC films of blue fleur de lys sprouting all over the screen to the beat of a musical score bred of Theodorakis' "Z" and Beethoven's Fifth. Haute Crisis TV. The smaller networks opted for tweedy social democrats talking about various "options" and "scenarios." Less sophisticated viewers might even have believed that May 20, 1980, a momentous day in Canadian history, was being watched very seriously by all sorts of foreigners. This was particularly amusing, since foreigners seldom notice great moments in Canadian history. Neither do most Canadians, for that matter. Their disinterest was made clear on the momentous night itself, when the CBC anchorpersons (one of each persuasion, except of

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course, political; we are nothing here, if not certified left-lib) announced to the beat of drums and the unfurling of ever more fleur de lys that we were now going to the jammed streets of Edmonton/Toronto/Vancouver to see concerned Canadians anxiously awaiting the results of the referendum. But all the television crews seemed able to muster up on those streets were two or three vaguely eccentric busy bodies who clearly had to be restrained from waving hello to mum. Outside Quebec itself, and apart from the bureaucratic-intellectual alliance that forms the Unity Canada Industry, the whole thing was barely noticed.

In the Canadian consciousness the question of the separation of Quebec from Canada proper has quickly assumed the status of a foreign affairs question. That is, no status at all. Canadians may be unique in the Western world in the singular accomplishment of having built a country without any real bloodshed or accompanying trauma. We had no War of Independence, no Civil War. Our involvement in World War Two was heroic on the part of those Canadians who fought overseas, but conscription was bitterly opposed on the domestic front and today Canada is governed by Pierre Elliott Trudeau, active as a law student in the struggle to keep Canada out of the "Imperialist" quarrel with Adolf Hitler — a stand which today has its echoes in Mr. Trudeau's barely lukewarm allegiance to NATO. This nationhood-without-blood is an enviable record, but one that seems to have a steep price tag. Canadians, insofar as one can make these generalizations, have had no concrete experience of the relationship between foreign affairs and the price of bread on their table; between ideology and its effect on the nation's institutions. Only foreign observers could believe that the rescue of some Americans in Iran by the Canadian ambassador would affect the Canadian general election. Canadians gave little weight to the event or the issues involved, apart from the excitement of having a Canadian who got so much coverage from Walter Cronkite.

So it is that, outside Quebec itself, the *separatiste* movement by French-Canadians has quickly been relegated to the same distance from the normal waking consciousness of the average English-Canadian as the events in Afghanistan or the Middle East. Now that the referendum vote saying "non" to separation talks seems to have assured the status quo, the country's interest is even less.

This leaves the question of French-Canadian nationalism in

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the hands of the Federal political parties – which is to leave it in very suspect hands indeed. For in order to battle the legitimate cultural nationalism of the French-Canadians, the federalists have created an artificial nationalism of their own. The conflict between this synthetic Canadian nationalism and the genuine nationalism of the French-Canadians is a battle with no visible solution. It is a battle that has set in motion certain self-determination movements that – referendum votes to the wind – could in the long run have as devastating an impact on North America as the drive for self-determination in Iran. The danger here is obscured by our style: Canada is a country, still, of orderly pleasant people with parliamentary institutions and red-coated mounties on well-trained horses. But all the Queen's horses and all the Queen's men cannot hide the deteriorating condition of our Humpty-Dumpty liberal democracy. It is more than the general malaise of the West. It is a malaise with a specific Canadian content.

"Canadian content" is one of the buzz phrases popular in the federally supported Canadian nationalist movement. It is also popular today to say that the heyday of Canadian nationalism is past. This is not true. What is true is that tiny groups of intellectuals who began the movement in the sixties and formed various pressure groups – like the Committee for an Independent Canada – have now seen much of their ideology institutionalized. *Canadian content* is now part of the system: there are Canadian content quotas in television and radio programming that must be fulfilled to keep a broadcast license. Canadian content is talked about in such diverse areas as the percentage of Canadian faculty on the staff of our universities or the number of Canadian directors on the boards of Canadian-based subsidiaries. Canadian content legislation drove *Time*'s Canadian version out of business and is being relied upon to keep *Newsweek* out. Canadian content is invoked when loans are needed to keep inefficient Canadian publishers from going into bankruptcy, and Canadian content is invoked when successful commercial communications empires are making too much money – because their success is due to American content. In fact, nothing illustrates the artificiality of Canadian cultural nationalism more than the abject failure of an impassioned powerful Canadian bureaucracy to propagandize Canadians away from their love of American books, television, films and news programs.

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A failure, of course, because apart from a long, straight, arbitrary line on the map at the forty-ninth parallel, there is very little to distinguish Americans and Anglo-Canadians. We share a virtually indistinguishable language, system of values, ethnic composition of founding and immigrant groups (with the absence only of a sizeable black population in Canada), lifestyle, cultural assumptions, and expectations. What differences there are have to do with our much smaller population (22 million) and a climate that makes a large part of Canada all but uninhabitable. (It also has to do with a considerably more conservative political tradition – but cold comfort. It is *not* conservative in the sense we use the word today. But more of this later on.) This common North American identity left those wishing to establish Canadian nationalism in a bit of a quandary. It was no use offering a North American identity to counter the French-Canadian fact. That would only give all the more legitimacy to French-Canadian cries of *chef de maison*. It became necessary to invent a Real Canadian Identity, something different from that of the CocaCola and Hollywood culture to the South.

The result was predictable. Canadian nationalism, being mainly political, artificial, and synthetic, could express itself only in negatives – the rejection of what it regarded as American values. But, alas, American values are – or are still seen to be – the great values of individual liberty, limited government, and a political system based on the economic concept of free enterprise. Canadian nationalism, with Mr. Trudeau's Liberals behind it, turned a cold cheek to those values. A left-liberal philosophy developed to become the standard approach to cultural and social policy by all political parties – each wanting to be the saviors of national unity.

By 1971 Mr. Trudeau would feel sufficiently secure about the American bogeyman to tell his audience in Kiev, U.S.S.R. that Canada was befriending Russia in part to counter the U.S. threat "to our identity, from the cultural, economic and perhaps even military point of view." By 1977 the Canadian Broadcasting Corporation would feel sufficiently dubious about the underpinnings of liberal democracy to reject as unsuitable for broadcast a series of paid commercials produced by the Insurance Bureau of Canada which emphasized the merits of the free enterprise system. The grounds? The cautious CBC felt that "free enterprise was a controversial subject."

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Since it had little cultural, linguistic, or ethnographic basis, Canadian nationalism needed all sorts of artificial wind machines to crank it up. The natural candidates for this role were those who felt most threatened by the prospect of North American assimilation: intellectuals who had mainly cultural products to peddle; businessmen and unionized workers of limited energy or efficiency looking for trade protection; and, of course, the quasi-Marxists who, nationalists or not, wished both to weaken the ideals of a free-enterprise liberal democracy and to make it more difficult for America to have one neighbor to take for granted or share natural resources with. For Mr. Trudeau's Liberals, arousing Canadian nationalism was a matter of political life and death. Should Quebec leave Canada, it would take its seats in Parliament with it. Without those Quebec seats, the Liberals would not merely be out of power, they would virtually be out of the House of Commons.

As the government became more and more involved in the sculpting of a Canadian Identity (with artists and businessmen alike discovering that there was a grant available somewhere for anything, provided it was sufficiently maple-syrup-indigenous), more and more aspects of the community came to have a vested interest in keeping things the way they are. Intellectual dissent became stifled, not because of electric prods but because of hydro-electric contracts. A company like Imperial Oil, for example, might sponsor a multi-million television series on the "multicultural" nature of Canada's founding peoples but would shy away from supporting any periodical or TV program that might rock the political boat, and, God forbid, raise the question in some regulatory agency or Imperial Oil's not having sufficient Canadian content. While in Canada we insisted on slavishly re-creating every American accomplishment or institution so we could have one of our own (from film awards to sit-coms to publishing industries, no matter how uneconomical or unrealistic), we did not develop — as America has — an active intellectual dissent. Left-liberal philosophy has maintained a stranglehold on the media and our intellectual forums. With the exception of the Fraser Institute in Vancouver (an economic think-tank supported in part by the giant Macmillan-Bloedel company) there are no newspapers, magazines, or television programs that deviate from the standard left-liberal point of view. We have no Accuracy in Media watchdog, no Heritage Foundation, no *Commentary*, no *Public Interest*,

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Human Events, or *National Review.* No television series like those of Ben Wattenberg or Milton Friedman. We have Galbraith and Galbraith clones *in extremis.*

This conformity has been helped by the one genuine difference between the Canadian and American political systems. The Canadian political system of parliamentary democracy evolved from the British nineteenth-century model, with its (relative to America) greater reliance on central authority and lesser emphasis on the liberty of the individual when confronted with what the ruling circles may from time to time define as the "public good." In other words old-fashioned conservatism, which, with its insistence on how an elite knows best what is good for all citizens, is curiously akin to socialism. At the same time we have suffered from the problems of having no constitution or Bill of Rights with constitutional powers. Americans may *think* we have one, but all we have is the *British North America Act,* which simply divides up powers between the provinces and the federal government. It says nothing about individual rights or liberties. If, for example, the government wished to pass a law that required Canadians to stand on their heads every afternoon in order to meditate on their distinctiveness as Canadians, there would be nothing to prevent it. The only question would be, is it federal or provincial jurisdiction to compel citizens to stand on their heads? America's greatest gift to Canada has not been high technology, venture capital, or pop culture, but its example as a country that prizes individual liberty. With that example next door, Canadian policymakers had to be more inhibited than they might otherwise have been, in their march towards the collective statist society.

For what the referendum vote signifies, in the end, is not a triumph of federalism but the beginning of the ultimate triumph of statism. The Trudeau government swung a majority of French-Canadians into their federal camp by promising to "re-invent Canada" and re-work the BNA act to meet Quebec's cultural ambitions. But there is precious little left to give Quebec – except independence. The problem is quite basic. Quebec's nationalism is a genuine drive for self-determination by a people of French-Canadian culture and language. French is already the language of the Quebec workplace, the marketplace, and the education system. What Quebec wants in addition it simply cannot have and remain in Confederation, i.e. exclusive

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powers over such matters as immigration policy and natural resources. Four months after the Quebec referendum, the constitutional talks have reached a low point. This is not to say, of course, that they will be bogged down forever or that there are no possible compromises to be found. But it does underline that the provinces have something that Mr. Trudeau wants, but Mr. Trudeau has nothing the provinces would want unless he were to give up the idea of a central government altogether. For instance, Alberta has oil, while Ottawa has at best the symbol of a repatriated constitution to offer in exchange. This does not seem like a very hot deal to producers of natural resources, nor to Maritimes fishermen or prairie wheat farmers. Of course Mr. Trudeau would, if he could, do much more than hold on to those powers that any government, including the freest parliamentary democracy, would need to run a country. Mr. Trudeau has never hid his collectivist bent under a bushel and would dearly love to wrest from the provinces – as well as from individual Canadians – powers that would only belong to *his* ideal kind of state, about which he mused in the following terms in 1958: "I am personally convinced that liberal democracy will not long be able to satisfy our growing demands for justice and liberty, and that it should evolve toward a form of social democracy. But I am willing to help with the establishment of a liberal democracy precisely because I believe the other will follow afterwards. A liberal democrat will doubtless be convinced otherwise; but what does that matter?"

Still, certain matters define a country. Mr. Trudeau cannot give everything to the provinces and there is precious little to negotiate. Two nations under one government have not yet worked anywhere in the world – in a free society. And that is the key. In the name of unity the Trudeau Liberals have committed themselves to keeping Quebec in – at virtually any cost. The other provinces in Canada, tugging and pulling in a competitive tussle to get the same preferential treatment over resources and taxation as Quebec wants, will seek similar powers. The scenario may well be a referendum presented to the people of Canada as a choice between a country balkanized into many fragments (oui) or a country united under the strong centrist-statist vision that Pierre Elliott Trudeau has talked about as "benevolent despotism" (non). And in this referendum Pierre Elliott Trudeau and the "nons" may have it again.

Barbara Amiel

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Small Earthquake in Germany

The German electorate, we are told, is facing the most momentous decision since the foundation of the Republic in 1949. The governing coalition depicts the leader of the opposition, Franz Joseph Strauss, as a political monster and prophesies disaster should he become chancellor. And the opposition, although somewhat half-heartedly, is trying to convince the public that the governing Social Democratic Party (SPD) is moving towards socialism domestically and towards neutralism internationally – in other words, it prophesies disaster should the SPD continue to govern the country. But there is surprisingly little echo to these efforts to dramatize the fall elections. The voters, the economy, the international environment don't seem to be profoundly alarmed by either of these two perspectives. To say the least: There is much less excitement about the elections and its possible outcomes than had been expected one year ago, when Franz Joseph Strauss was nominated as candidate for the chancellorship. Why is this so?

There are two answers to this question. First, there is no excitement because there is no uncertainty. Experts, voters, and the parties themselves seem to be convinced that the governing coalition of Social Democrats and Liberals is certain to win the elections. And the opposition party and its supporters seem to have accepted defeat as inevitable in advance. Second, people hesitate to accept the view propagated by the parties and the mass media, that it matters a great deal who wins the elections.

Let us consider both answers. Since the Social Democrats won an overall majority of seats in the state elections of Northrhine-Westphalia (a state which comprises almost one-third of the electorate of the Federal Republic) in May, it is indeed difficult to argue that a change of government is likely. And there are very few people left who do. Not even the opposition party itself believes that it has a real chance; it is fighting to prevent an overall majority of Social Democrats, not to win the elections. Is this simply the result of the decision, taken by the parliamentary group of the two opposition parties (CDU and CSU) one year ago, to rally behind the most controversial, the most polarizing figure in German politics: the leader of the Bavarian CSU, Franz Joseph Strauss? There are many observers who believe indeed, that this decision was fatal. Although there

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is little doubt that the image of Franz Joseph Strauss has been largely fabricated by hostile mass media and his political opponents, skillfully exploiting the opportunities Strauss himself offered them in his long political career, one has to face the fact that there is no difference between the image and the man behind the image in electoral politics. And his image being what it is, Mr. Strauss is extremely unlikely to make a favorable impression on that mysterious but decisive entity called "the floating vote." In fact he is, as candidate for the chancellorship, probably the most effective deterrence the CDU/CSU could possibly find. The very fact of his being the leader of the opposition has put the opposition on the defensive throughout the campaign, and this surely is the worst thing to happen to a party challenging the government.

But important though personality factors undoubtedly are in the present German campaign, it is the surface rather than the substance of the problem we have been discussing so far. The substance is a structural weakness of the German party system. The German party system is a two-bloc/three-party system with the Social Democrats (SPD) and the Liberal Party (FDP) as the governing majority and the Christian Democrats (CDU) with its independent Bavarian wing, the CSU, as opposition. Of these three parties the CDU/CSU received 48.6 percent of the vote in the 1976 Bundestag elections, the SPD 42.6 percent, and the FDP 7.9 percent. In 1949, when the first parliament of the Federal Republic was elected, the situation was very different. There were more than a dozen parties represented in the Bundestag with the two major parties CDU/CSU and SPD together having polled less than two-thirds of the popular vote. It looked as though Weimar, with its extremely fragmented party system and the resulting instability of governments, was to return.

But very soon Bonn turned out not to be Weimar. The 1950s saw a process of rapid transformation of the party system. At the end of the first decade of the history of the Federal Republic the three-party system had emerged from this process, which is still in existence. It was still an asymmetrical system, in the sense that one party was clearly in a dominant position (in 1957 the CDU/CSU polled 50.2 percent of the vote, the SPD only 31.8 percent). But it was no longer a fragmented system, and there are those who think that this transformation, brought about by an electorate with little experience in democratic politics, was perhaps more "miraculous" than the eco-

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nomic recovery usually referred to as the "economic miracle". (One has to keep in mind, of course, that without economic recovery presumably there would not have been an "electoral miracle." The so-called 5-percent clause of German electoral law, excluding parties which receive less than 5 percent of the total vote from the Bundestag, could only support the process of transformation and consolidate its results, not set it going.)

Miraculous or not, the effect of the process of concentration has been that the Federal Republic of Germany has enjoyed a quite unusual stability of governments throughout her history. It has never been difficult to form a government, and all governments (with one exception in the early 1970s) have commanded stable parliamentary majorities. In other words: A vital condition of the functioning of the parliamentary system of government has always been fulfilled. This is, as the record of other parliamentary systems in Western Europe shows, no small achievement. But there is another side to the coin. If it has so far been an effect of the structure of the party system that we have had stable parliamentary majorities and governments capable of political action, it is also an effect of the structure of the party system that elections are very unlikely to bring about a change of government. In fact, there was only one change of government in the thirty years of the existence of the Federal Republic that resulted from preceding elections. That was in 1969, when a twenty-year period of Christian Democratic dominance came to its end and the period of the so-called social-liberal coalition, which has lasted until today and is likely to last at least for another four years, began.

Why does the three-party/two-bloc system have this effect? Since the beginning of the 1970s both major parties have been roughly equal in electoral strength. But neither of them has a chance to win an overall majority of the popular vote, except under very special circumstances; the third party prevents it. Only once in the history of the Federal Republic, in 1957 when Adenauer was at the height of his popularity, did the CDU/CSU surpass the 50 percent mark. The SPD never did. This means that governments have to be coalition governments (one of the major parties cooperating with the small Liberal Party), and that a change of government can only be brought about if the Liberals change sides. But the Liberal Party is, for two reasons, unable to play the role assigned to it by the structure of the party system. First, it is too small. Changing sides means losing

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voters, at least in the short run, as the elections of 1969 – when the Liberals did change sides – clearly demonstrated. Under the 5 percent clause, a party which usually gains about 6 or 7 percent of the total vote simply cannot afford to run the slightest risk. It could be fatal. Second, the members of the party would have to accept the special role of their party: the idea that their party should not be tied to one partner over too long a period. From all we know, a majority of the members of the Liberal Party does not accept this role. For many of them the idea of changing sides is simply anathema, so that a leadership moving into that direction would risk a split of the party. Both factors lead to a high degree of immobility in a party whose mobility is a functional requirement of the German party system.

There is still the question whether it really matters who wins. Parties always tend to exaggerate the importance of the decision the electorate faces. That is part of the democratic ritual; it is also good (or not so good) tactics. And it may well be that the electorate, apart from some highly politicized minorities, doesn't take this ritual dramatization of politics too seriously. But it would be foolish not to see that election outcomes can matter a great deal. The electorates of 1949, 1953, 1969, and 1972 had to choose between real, and in some instances fundamental, alternatives. There is little doubt that the history of the Federal Republic would have taken a different turn, had the voters returned a different majority in one of these elections.

And the electorate of 1980? What is the essence of the decision it faces? The Soviet invasion of Afghanistan has once more pushed foreign policy issues right into the center of party controversy. This is nothing unusual in the Federal Republic of Germany. Between 1949 and 1957 the major battles between government and opposition were fought about the issues of West German rearmament, West German involvement in the process of European integration, and West German membership in NATO. And in the late 1960s and early 1970s it was the so-called "Ostpolitik" which was the most controversial issue between the parties, dominating the campaign of 1972 and presumably an important factor in Willy Brandt's electoral triumph of that year.

It would be a simplification to describe the issue of 1980 as "appeasement or containment." But it would not be totally misleading. The government (more precisely the SPD) is con-

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vinced that the fruits of detente in Europe, in particular the improvement of the situation of Berlin and of the relations between the two German states, must not be endangered. It is also convinced that the West has a vital interest in continuing efforts to bring under control the so-called arms race. It is therefore inclined to view the Soviet invasion as a minor incident, which does not indicate an expansionist turn in Soviet foreign policy, but rather the traditional obsession of the Russians that their empire must control countries immediately adjacent to its own territory as a "cordon sanitaire." The opposition, on the other hand, takes the occupation of Afghanistan much more seriously. To the CDU/CSU, Afghanistan proves that the Soviet Union is willing and able to make use of her superior military strength, wherever there is something to gain at a low risk. It is therefore of the utmost importance to maintain, or rather reestablish, the balance of military power between East and West and to make it clear to the Soviet Union that aggression is costly, even if it is successful. For the Federal Republic to pursue these objects, the CDU/CSU argues – criticizing the government for having dangerously strained German-American relations – means to cooperate with the United States as closely and as loyally as possible. There is little doubt that it will make a difference which of these two views will prevail in German foreign policy making in the next four years. It is up to the electorate to decide this.

Important though the difference is, the controversy has so far left the consensus on the fundamentals of German foreign policy, which had emerged in the second decade of the Federal Republic, largely unimpaired. There are, however, active forces in German politics challenging this consensus, and it seems that they are getting stronger. They detest the United States as an imperialist power and regard the Soviet Union as a good neighbor which must not be provoked by Western armament. Their dislike of the Western defense alliance is intense, and they react to the very existence of the "Bundeswehr" (the armed forces of the Federal Republic) with a highly emotional antimilitarism. It is not only along the radical fringe of the party system, or among certain groups of intellectuals, where this attitude flourishes. Similar views are gradually gaining ground in the left wing of the SPD. Should this development continue, we shall very soon have two parties under one common roof. Unfortunately, the voter will not be able to vote for one of

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them and against the other. If he decides to vote for the SPD, his vote will count for both.

Peter Graf Kielmansegg

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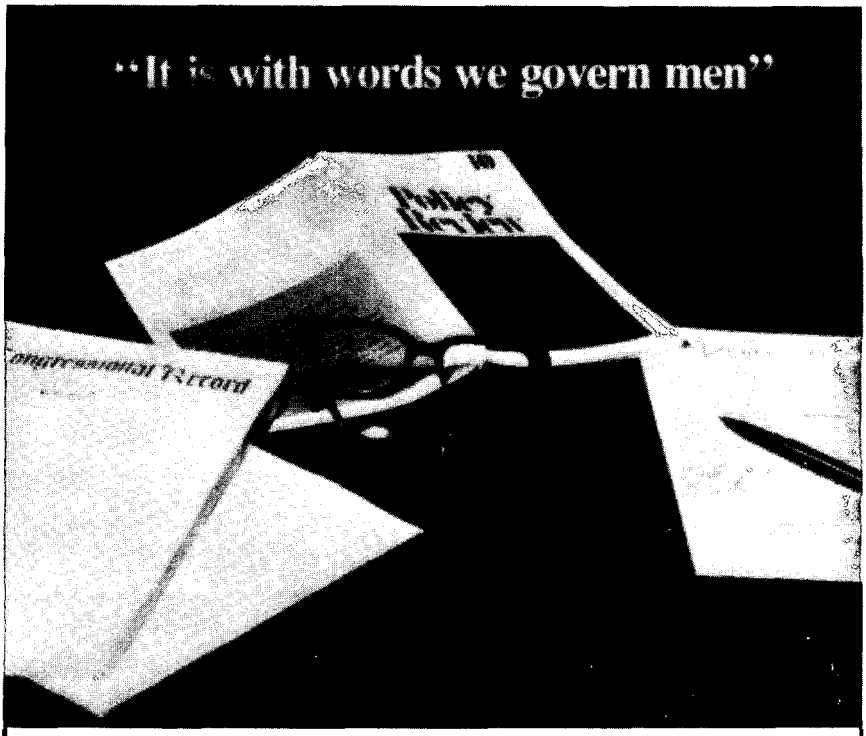

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Can Congress Control Spending?

PETE DOMENICI

Late on Friday, not many weeks ago, I received a phone call from a constituent in New Mexico. He pleaded with me to help him retrieve a company car that had been impounded in Wyoming for delinquent tax payments. I asked him if he had consulted a lawyer. "No," he said, "I'd have to pay a lawyer. You can do it for me for free."

That conversation reminded me of a story told by ex-Congressman Otis Pike of New York. While stuck at home during a snowstorm, the Congressman received an angry call from a constituent, demanding to know what Mr. Pike was going to do about the lack of snow shovels at the local hardware store.

What in the world is going on here?

From the public, as well as from observers in the media and in academe, Congress is being assaulted by a howling wind of criticism. Nearly every elected official finds meetings with the public marked by an angry and growing discontent with that official's inability to solve quickly a spectrum of problems that range from snow shovels to inflation. Between the 1960s and the late 1970s the Harris poll showed that public confidence in Congress dropped from 66 percent to 15 percent. Public disaffection has also appeared at the election booth, with the re-election rate of incumbent Senators dropping sharply during the past decade.

Add the frustration over the magnitude of the problems facing American society, and one soon discovers a belief among many elected representatives in Washington that something is fundamentally wrong. Sometimes the critique is simple: "It just isn't any fun anymore." Sometimes the complaint shows battle fatigue. Otis Pike wrote of himself, upon retirement: "He wants a different career . . . . people bug him. He has no privacy. He doesn't like campaigns. He doesn't like fund raising . . . He's tired of wasting his time out of drivel. He'll get a good pension."

Whatever the stated reason, many members of Congress are dropping out. Over 10 percent of the House and one of every four Senators up for re-election in 1978 decided to retire. That

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total of 59 retirees broke the old record of 57, which was set in the previous Congress. These retirees are not just individuals who have reached the end of a long career. Many are persons who, if they were in the private sector, would be approaching their most productive periods. This Congress is no different. Senators such as Adlai Stevenson, Jr., and Henry Bellmon, the Republican Party's leader in the budget process, are retiring at relatively young ages, as are numerous Members of the House.

In each case they talk of a pervasive, if unspecified, malaise, a feeling of futility or frenetic purposelessness. They are not alone. This feeling pervades the Congress; the retirees are only those who find the level of discontent intolerable.

I am an elected official who takes pride in his calling. I believe, honestly, that the fate of Western civilization and that fragile thing we call "freedom" is linked to the health of democratic institutions. For me, this unease and discontent is more than troubling. It must be overcome. And to do so, we need to examine and understand it.

In seeking answers, I reject at the outset the theory that this problem remains unchanging through history. With quotations from Cicero ("Be lavish in your promises; men prefer a false promise to a flat refusal") to Mark Twain ("There is no distinctly American criminal class except Congress"), historians seek to paint the problems of today's Congress as timeless.

This theory ignores much of the evidence. First, there is the testimony of the retirees that during the span of their careers they have witnessed in Congress a loss of direction, a loss of control. In addition, there is physical evidence that while the number of Senators and Congressmen has remained constant, the staff and load of the Congress have mushroomed. From a 1950 level of 2,000, the Senate's staff has more than tripled to about 7,000. Today, between the House and Senate, there are over 18,000 persons working for Congress. In the 1950s Congress met from January to July. Today, it runs for 12 months, except when it adjourns shortly before elections. In the 1950s Congress sent out 50 million pieces of mail yearly. Within two decades this annual total had exceeded 200 million. I receive 1,500 letters a week. A senator from a large state, such as California, averages close to 10,000 letters a week. Congress now considers 22,000 bills and resolutions over a two-year period, with some 1,600 passing the House or Senate. In 1973 the House had 100 votes. The total is now several hundred yearly.

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More and more work does not necessarily mean a better product. In fact, the more work Congress puts into the legislative process, the less seems to come out. The Library of Congress has noted that while congressional activity has ballooned, it has been accompanied by a halving of the number of bills sent to the President, but a doubling of their average length. It is becoming increasingly difficult to get anything accomplished amidst all the frenzy, and those laws that do pass are longer and more complex.

I mention this growing – now monumental – workload not because I prefer to take it easy. I regularly work 12 hours a day, and I like it. Rather, I mention it because I need time to think and to reflect, and so does the Congress as a whole. A recent study of the modern Congressional day estimates we have 11 minutes daily in which to think. The rest of the day is frenetic activity.

As with Sisyphus, the harder Congress works and the larger its staff becomes, the more trouble it has accomplishing even its minimum duties. The most basic function of the Congress is to exercise its constitutional power of the purse: to appropriate money every year. In fiscal year 1980, the budget process (which I support strongly and plan to discuss at greater length) was a month late in providing the Congress with a final budgetary target. The annual appropriations process has become so erratic that every year many agencies operate for long periods of time under continuing resolutions, without new appropriations. One agency, the Department of Energy, has not had an authorization – the legal prerequisite for an appropriation – for over three years. That is a department that has become a $10-billion-a-year monster.

Another reason often cited for malaise in the Congress is the rise in influence of special interest groups. According to this theory, party structures began to disintegrate in the 1950s and 1960s, leaving the members to become independent entrepreneurs. Shorn of the protective shield that their party provided, these individuals became easy prey to the special interests. Recognizing this, these groups have proliferated, targeting individual politicians rather than the party platform. This is a basic thesis of *The Washington Post*'s columnist, David Broder. Mr. Broder believes that salvation lies in a return to the party fold.

Another theory is that of Norm Ornstein of Catholic Univer-

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sity. He views today's politicians as smarter and more sober than our predecessors. These very virtues have made it more difficult to lead, thus making Congress less manageable. We thus have a musclebound Congress, a system of non-stop, disjointed contributions from all sides. This leads inevitably to a melange of conflicting policies.

In a less charitable view, one senior Congressman has termed today's younger breed of Congressmen as "bedwetters" with "blow-dry hairdos" only concerned with re-election.

Certainly, there is truth in each of these explanations. The parties have fallen on hard times. The membership of the House and Senate has proven increasingly difficult for the formal leadership to manage. Incumbents generally have to survive by their own wits. Special interest groups have increased their levels of activity. But these explanations, no matter how accurate, are cosmetic, at best.

Take the explanation that interest groups are the source of all our woes. We must remember that interest groups abounded during the Great Society of the 1960s. But since these groups were mostly allied with the Democratic majority in Congress, few complaints were heard. It was only when a new breed of groups came to Washington, touting a different political agenda, that complaints began to surface. These new groups, while using the tactics of the liberal groups, either had differing priorities (such as abortion control), or, like the business community, opposed the existing policies of a liberal Democratic Congress. In short, it has not been interest groups per se that have led to the recent outcry, but the shift in their focus.

A more complete explanation of our malaise demands an appreciation of Senator Robert LaFollette's insight that: "Politics is economics in action." To pursue this insight, we must examine the basic role of Congress, the power of the purse. It is here where Congress spends the greater part of its time and energy; it is here where the frustration is the greatest. To spend $600 billion a year, Congress must dispense $400 million every hour that it is in session. The Congressional work year focuses on the effort to spend these vast sums, first by authorizing those expenditures, then by appropriating them. Here is where Congress is most confused and impotent. Here is where the search for answers – even if they prove incomplete – holds the greatest promise.

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Spend, Regulate, Elect

An analogy of federal spending in the 20th century can be made to the use of morphine to treat a hospital patient. First, the patient benefits. Later he becomes addicted, and then he must eventually face withdrawal.

The economic treatment began with the New Deal. With the nation suffering from deep economic depression, Franklin Roosevelt intervened aggressively in the economy. Once government established a new role in solving economic ills, the potential for new intervention became infinite. Instead of intervention only in periods of economic crisis, liberal theory demanded full-time management. In the 1960s the nation moved to eliminate poverty, making more progress in solving this problem than at any other period in history.

But this successful attack on poverty altered the federal budget in two major respects. First, it grew rapidly. From $68.5 billion in 1955, the budget reached $118.4 billion in 1965. Now it tops $600 billion. At the present rate of growth, it will exceed $1 trillion by the mid-1980s.

Second – and this is more significant politically – the character of the budget has altered. In 1960, half of the budget went for defense, while one quarter went for payments to individuals. By the late 1970s, these figures had almost reversed, with 24 percent going for defense and 45 percent going as payments to individuals.

Politicians soon discovered the side benefits of these federal transfer payments to individuals: Re-election came easier. In 1948, incumbent Congressmen were being re-elected 75 percent of the time. By 1972, this rate had reached 90 percent. Nor was this discovery limited to the Congress. Although President Eisenhower refused to play this game, every President since Eisenhower pumped up the economy just prior to election time, a tradition that President Carter's initial budget proposal for fiscal year 1981 maintained.

What began as a well-intentioned effort to help the poor became addiction for both the patient (electorate) and the doctor (Congress). The extent of this addiction can be seen in the fact that transfer payment beneficiaries now represent 30 percent of the population, compared with 18 percent less than two decades ago. When one adds employees at the Federal, state, and local levels of government (including the military),

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half of the American population now receives at least part of its income from government checks.

Good politics meant new spending programs, particularly for constituents who would be likely to contribute to, and vote for, one's re-election. As other politicians and interest groups watched this process, they could see that self-restraint was no longer a virtue, but martyrdom. The doors of Congress opened wide to a parade of new groups with new proposals to spend Federal dollars. Priorities became meaningless. The voices of individual politicians became lost amid the drumbeat to spend, spend, spend. An individual could become a skinflint, and probably lose the next time at the polls. Or he could join the parade, seeking to assure that his constituents also received a fair share of the ever-larger pie.

From a level of 18 percent in 1965, the Federal budget grew to consume 22.6 percent of the nation's output of goods and services by 1976. And guess who got re-elected? The economic rationale of the game was that any increase in such spending, when spread among 230 million Americans, was so small that the general taxpayer would hardly notice. In contrast, the beneficiaries received far more than they chipped in, and they showed their gratitude at the next election.

In tandem with this welfare state machine, powered by a re-election engine, there is another essential driving force at work today in Congress. This is the growth in regulatory legislation that has occurred over the past fifteen years. On the heels of successes by the Civil Rights movement, others turned to Washington to activate the power of the Federal government to attain their social objectives. The interlocking interests of labor, the poor, blacks, the liberal intelligentsia, and the Democratic majorities in the Congress brought an explosion in the regulatory burden imposed on the private sector. Ralph Nader's consumerism, the environmental movement, and union demands for workplace safety each won great success in Congress.

The regulatory movement offered the same benefit as the spending spree: Passage of legislation won the support of the groups supporting it. This juggernaut of more regulation and spending brought with it an ancillary benefit. Both regulatory and spending programs enmesh the populace in a bureaucratic net. As the average citizen found himself either waiting in line for "my deserved benefits," or subject to new regulations intended to protect the public health and safety, he inevitably

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suffered some discomfort at the hands of the bureaucracy. I do not argue that this discomfort grew from malice. Rather, it was simply the inevitable consequence of allowing any group of specialists to affect the lives of others. Conflict is inevitable since general regulations rarely fit individual cases.

But what happened? Congressmen began to earn new political dividends from constituents when they intervened successfully to cut bureaucratic red tape. And because this monopoly ombudsman service is provided free, the demand for it became infinite, prompting the phone calls that I recounted at the outset. No matter how much staff and time we have, we will never catch up. And the more staff we have, the more frenetic the work, and the less likely it will be that we can act wisely in the area of basic national issues and policies.

Congress has put itself on a treadmill. The explosion in Congressional staff and activity is barely able to keep pace with the demands of a constituency which is growing increasingly accustomed to having its whims satisfied by the political process. Ironically, the ceaseless effort of the Congress (with its larger staff) to please, has only lowered the esteem in which Congress is held. A Western colleague of mine tells a story of receiving a phone call from a constituent asking when a road in front of his house was to be repaved. When the Senator asked the caller if he had talked to the County Road Supervisor, the caller replied, "No, I don't want to go that high up unless I have to."

Breaking The Momentum

Many academic observers have thrown up their hands in anguish at the prospects for change. *Congress: Keystone of the Washington Establishment*, by Morris Fiorina, is one of the best examinations of the interrelationship between the Congress, the bureaucracy, and organized interest groups. The author despairs that the nation is electing only "errand boys" to administer a system that serves elected officials, the bureaucracy, and the organized subgroups – but not the population at large. But when assessing the possibility of change he concludes: "I do not see any potential sources of comparably strong incentives for change."

Mr. Fiorina's pessimism is echoed by Edward Tufte, whose *Political Control of the Economy* is a study of the manipulation of the national economy as part of presidential re-election

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politics. Mr. Tufte sees the present process as leading to "a great temptation to embrace programs that in the short run might be popular even if they are inimical to the longer-run vitality of the country." Mr. Tufte concludes that the political manipulation of the economy may be the inherent price of the electoral process.

But this process has recently been accompanied by a growing awareness that something is fundamentally wrong with the American economy. One needs only to look at the American economy in 1955 to gain a sense of the deterioration that has occurred. The GNP rose 6.7 percent that year. Industrial production was up 12 percent. Unemployment was just 4.4 percent, with the rate for male black teenagers at 13.4 percent (less than one third of today's rate). The budget was $4.4 billion in surplus. The balance of trade had a $3 billion surplus. Productivity rose 4 percent. Personal income increased 7.1 percent. The prime lending rate was 3.5 percent. And what happened to consumer prices in that year of 1955? They declined — yes, declined — by 0.4 percent.

In retrospect, that was a Golden Age, from which the path headed downward. Inflation, which had averaged 1.7 percent through most of the 1950s and early 1960s, reached 6 percent in the later 1960s, when President Johnson failed to enact a tax increase to finance the Vietnam War. From 6 percent in the Johnson era, the inflation rate tripled by 1980.

As witnesses to this decline, American newspapers — the end of the intellectual pipeline — began to carry arcane discussion of declining productivity and saving rates in the American economy, foreshadowing greater future economic woes. The golden goose that had produced an ever-expanding array of Federal spending programs appeared ill. Economists argued that the goose needed vitamins (tax cuts and lower deficits) and rest (less regulation).

The need for restraint has become apparent. I am now convinced that the taproot of the weed of Congressional malaise is the inability, politically, for the members of Congress to vote "No." It's so much easier, and so much safer, to vote to please the special interests of constituents, rather than to address true priorities. The fungicide needed to shrink that weed of malaise is a system that forces upon Congress a selection of real priorities, one that will restrain spending, and thus inflation.

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Winds of Change

The first glimmer of a change came with Proposition 13 in California, where local property taxes verged on being confiscatory. The American public, at the same time, was giving greater attention to the size of income taxes. To equal a gross income of $16,000 a year in 1963, a family in 1979 would have needed inflated dollars 37,000. But while the 1963 salary was taxed at a marginal rate of 30 percent, that 1979 salary was subjected to a 43 percent marginal rate. The combination of inflation and a higher marginal tax rate produced a sensation among the productive middle class that they were paddling as hard as they could, yet were still being swept out to sea.

The incentive persists for limited groups of beneficiaries to seek increases in special benefits. But the general taxpayer has begun to realize that all these little nicks are producing a financial hemorrhage. Representative Henry Reuss tells of the constituent who told him: "Don't do anything for me, because I can't afford it."

This is why Congress lies in disarray. The old incentives to spend and spend have begun to break down, but new incentives, and political rewards to restrain that impulse, have not become clear.

An example of the old incentives butting against the new impulse of restraint occurred with the Social Security Amendments of 1977. After years of enthusiastically heaping benefit increase upon benefit increase, Congress was forced in 1977 to increase dramatically the level of Social Security taxes in order to avoid the eventual bankruptcy of the Social Security Trust Fund. Under these amendments, the maximum Social Security tax on wage earners rises next year by exactly $1,000 a year from the 1977 tax levels of $965. In 1985, the tax will rise again, this time to $2,686. Congress is now searching desperately for ways to rescind or moderate that increase, without bankrupting the Trust Fund.

The tension between the old incentives to spend more and the new recognition that we are entering an era of limited government and limited resources has exacerbated the Congressional malaise.

A broader and more significant example of Congressional recognition of this new era is the budget process, where Congress is supposed to establish an overall spending limit

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before money can be appropriated each year. The Congressional budget process arose in 1974 as an assertion of Congressional power over the executive branch, a response to President Nixon's impoundments of highway and sewage treatment funds. In fact, the Congressional Budget Act was the high-water mark of Congressional power; commentators turned from talk of the Imperial Presidency to discussions of the Imperial Congress.

Assertion of this authority meant that Congress would, for the first time, have to look at both sides of the doctrine of John Maynard Keynes. Keynes had been a godsend for big spenders, with his advocacy of deficit spending during periods of economic hardtimes. Forgotten in the heady formulation was that Keynes also said a nation must run a budgetary surplus in good times. This second requirement has been ignored. With Fiscal Year 1981, the Government will have run deficits in 20 of its last 21 budgets. In 1976, with the economy recovering from the 1973-75 downturn and with inflation rampant, the budget process challenged the Congress to place a rein on federal spending. That challenge was ignored. The 1976 deficit of $66 billion equaled the entire annual federal budget during the Korean War. The federal deficits since 1976 have exceeded the total deficit in the 1946-76 period, and greatly fueled inflation. The failure of the budget process to protect the economy by restraining spending during a period of high inflation has magnified the malaise on the Hill.

This Congressional frustration peaked during consideration of the President's Fiscal Year 1981 budget. In January, President Carter sent to the Congress the traditional expansionary election year budget. During February, inflation reached an annual rate of 20 percent and the nation's bond markets collapsed. The President, sensing that public discontent was politically stronger than the narrow focus of the special interest groups, sent up a second budget in March: one that achieved balance at $612 billion. Subsequently both House and Senate Budget Committees enacted resolutions also achieving balance, at approximately the same figure. Within months, this balance has dissolved – because of incorrect assumptions – and we have returned to normal: a $30 billion deficit.

Regardless of the fate of the FY 1981 budget resolution during the rest of this year, it is clear that the outcome of the battle between the established system of special interest group

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politics and the new recognition of the plight of the general taxpayer remains uncertain.

While Congress searches for a new set of guidelines, the established interest groups continue to fight an intense, rear-guard action. Liberal lobbying groups in Washington have begun a "War on Austerity". The Chairman of the House Budget Committee said, after a bitter markup, that groups opposing a balanced budget have been "coming in on airplanes faster than they can land." Congressional opponents of a balanced budget have called the proposals "obscene", "draconian", and "a very, very evil job."

Obviously, I disagree with the above assessment of the need for a balanced budget. But I do not find the battle a source of despair; I find it a source of hope. One of the symptoms of a stagnant society is to clutch to the old ways of doing things, and put off the solving of new problems. Healthy societies, in contrast, forge new responses to emerging problems. The attempt to bring federal spending and regulation in line with the ability of the economy to sustain such funding and regulation strikes me as the response of a healthy, rather than a stagnant, society.

Of course, any judgment that the FY 1981 budget represents the dawn of a new fiscal era is premature. Even if we had been able to balance it $612 billion, the budget would have relied on at least $90 billion in nex taxes (revenues are estimated at $521 billion for FY 1980). Certainly, a series of budgets that is balanced only by huge tax increases fall short of what the public and the health of the economy demand.

Budget Balance or Spending Limit?

Unfortunately, there is a strong incentive for Congress to meet the public clamor for the appearance of fiscal restraint by balancing the budget on the flood-tide of revenues generated by high rates of inflation. Balancing at high revenue levels minimizes the cuts Congress must inflict on special interest groups. It allows Congress to avoid confronting one of its institutional weaknesses that has led to the present predicament: its inability to establish priorities, to make hard choices between worthy alternatives.

Budgetary restraint has some of the elements of what economists call a public good, similar to national defense or environmental quality. These public goods can only be achieved by the

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mutual restraint and regulation of all involved. Without mutual restraint, the unilateral action of any individual is futile. On budget matters, such mutual restraint within the Congress must entail some form of statutory or constitutional limit on federal spending.

And without some sort of firm lid on spending, the quest for priorities becomes meaningless. This is true because Congress will simply increase spending rather than select carefully among a variety of "good" ideas and programs. A firm spending limitation is the only rational technique that will impose a true search for priorities, by both Congress and the Executive.

Make no mistake: we are in a period when society must begin to recognize priorities, to select the best investments from a range of programs involving defense, public works, housing, food stamps, and social security. This will not be easy.

It is my fear that if Congress does not enact a spending limitation, an historic chance will be lost. And the malaise in Congress will continue unabated. The incentives to slip back into permissive spending patterns are strong. Fiscal discipline cannot be a one-shot exercise. Inflation and a stagnating economy were not born overnight. A spending limit offers hope that Congress will adhere to the strict fiscal regimen for the time required.

But even if a spending limit is desirable, is it politically possible? Yes, if presented correctly. A spending limit whose proponents gloat over the pain suffered by certain groups will be doomed. Moreover, it should be. There is no virtue in cruelty. Rather, a spending limit is necessary so that the productive sector of the economy will have enough resources at its disposal so that it can meet the needs of rich and poor, young and old, healthy and sick alike. Without such a limit, the productive private sector, the source of all tax dollars, runs a risk of malnutrition.

To add to its political sex appeal, a spending limit offers the prospect of massive tax cuts. The following table highlights the political allure of a spending limit that moves expenditures from the present level of 22.3 percent of Gross National Product in FY 1980 to 19 percent in 1985 (19 percent was the percentage that prevailed from 1958 to 1966, a period of remarkable economic health compared to the 1970s).

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ESTIMATES OF GNP AND FEDERAL REVENUES
(Projections of the Senate Budget Committee, 1980
dollar amounts in billions)

Fiscal Year	Gross National Product	Budget Receipts	Budget Limit %	Budget Outlays at that % of GNP	Surplus under Budget Limit
1980	$2,541	$529	22.3%	$567	($38)*
1981	2,810	617	21.8	613	4*
1982	3.151	707	21.0	662	45
1983	3,544	814	20.5	727	87
1984	3,984	940	20.0	797	143
1985	4,460	1,088	19.0	847	243

*Projections for FY 1980 and 1981 are now being revised to indicate large deficits.

Under the above spending limit, over $520 billion would be cumulatively available for tax cuts between 1981 and 1985, compared with receipts as projected under present laws. Just as special interest groups have drawn strength from the increased federal spending, so should the general taxpayer be mobilized in pursuit of such a holy grail. Tax cuts of such a magnitude, if given equally to all Americans, would provide a rebate of $10,000 for a family of four over the next five years. Divided between individuals and American industry, such a package of tax cuts would revitalize the American economy.

A Cautionary Note

Having just offered Congress a way to regain the respect of the American people with a package of spending limits and tax cuts, I would like to sound a note of caution. This sour note has nothing to do with the need for a spending limitation. Still, I fear that the constant search of politicians for ways to buy political favor may take new and more pernicious forms. A spending lid would curtail the option of using the federal treasury as a political war chest for re-election. Politicians would then seek other techniques for providing favors to large constituent groups that they are unable to reach through case work and their ombudsman role.

One such technique that could be used would be to "broker" the national economy so that one economic group is favored at the expense of others, without the use of tax dollars. Obviously,

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such brokering is found in all societies. But Western democracies, and particularly the American marketplace, have evinced far less of the state-sponsored economic favors that characterize most of the rest of the world's economies. While it is difficult to say with authority that such economic brokering is on the upswing, there are several ominous trends: (1) interest groups are increasingly alert to the opportunities for economic brokering; and (2) the greater complexity and length of Congressional bills offer fertile ground for quietly planting brokered deals, out of sight of the general public and even informed observers of Congress.

Two examples of brokering from the 1970s will suffice. The first is the oil entitlements program. Under this program, one group of domestic refiners was forced by law to pay a second group of domestic refiners, to help the latter group buy high priced imported oil – thereby exacerbating an already crippling dependence on Middle East oil. The fact that this absurd idea survives to this day is testimony to the political attractiveness of economic brokering, which avoids the federal treasury as a middleman.

A second case is just evolving. This is an attempt to rig the nation's coal markets to the benefit of Eastern coal interests. Western coal is low in sulfur content, and is generally produced by non-union labor, but is remote from most major markets. Eastern coal, while closer to population centers, has a high sulfur content and is produced by one of the nation's more volatile unions. Sorting out the advantages and disadvantages of these competing coals is a perfect job for the free market. Utilities can make judgments by comparing transportation costs of Western coal to the pollution control costs inherent in eastern coal. In fact, the market initiated such a process during the mid-1970s, with Eastern coals losing out, particularly in the lucrative Midwest markets.

With their product losing in the free market, Eastern coal interests launched a political counterattack with the following components:

1) An amendment to the 1977 Clean Air Act Amendments, using a formula for emissions control from new power plants that cancelled out the advantages of Western low-sulfur coal;

2) A second amendment to the 1977 Clean Air Act Amendments that allows a Governor to require existing utility plants in the state to use "locally available (Eastern) coals"; and

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3) An enforcement order from the federal government ordering the nation's largest utility, the Tennessee Valley Authority, to use Eastern coal.

The above rigging of the coal markets earned Eastern electoral representatives the kind of political benefits that only major new spending programs, like Black Lung benefits, used to bring. It would be tragic for the American public finally to gain fiscal restraint, with a modicum of tax relief through a spending limit, only to have to pay an even higher price in inflated prices for goods and services in a politically brokered and increasingly inefficient economy.

Designing New Incentives

I offer these personal reflections on the political process not as a prelude to a laundry list of nostrums or "needed" reforms. The intellectual process of identifying the reasons for the problems and their roots seems valuable in itself. But it is difficult to engage in such an effort without reaching a few conclusions.

The first is a negative one: what will not work. Much of political analysis emphasizes the moral aspects of the process. Such moralizing usually results in solutions such as more financial disclosure, more regulation of interest groups, more red tape in running a political campaign. Such moralizing, while essential, misses the point, to wit, exactly what incentives now encourage politicians and the special interest groups to act as they do when cranking up the Federal printing press? And if one disagrees with their actions, what incentives can be added to generate a new, more beneficial behavior? Most politicians have the same mix of courage, fear, hope, despair, self-interest, and altruism that are found in other segments of American life. As in these other segments, politicians respond in rational fashion to what they see as the incentives and disincentives of the political process. Moralizing does not change this process; incentives will.

Therefore, I offer three proposals (two admittedly modest) that I believe would implant a system of incentives to better serve the commonwealth.

First, the media should seek to explain to a far greater extent the relationship between the Congress and the Washington Establishment of officials, bureaucrats, and special interests.

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While the media neither can nor should give up their addiction to the personal peccadillos of political figures, a fuller understanding and exposure of the political process could transform that process. Clearly there are elements of the Washington Establishment that cannot stand public scrutiny. The media's quest for answers to stagflation, declining productivity, and other recent phenomena has already had an important role in providing some momentum to the counter-attack on excessive federal spending.

Second, I suggest that those organizations that have worked so hard for good government, such as Common Cause and the League of Women Voters, should focus on this need to find incentives for responsible fiscal action. One idea might be an "inflation index" on the voting behavior of members of Congress, much like those used by various liberal and conservative organizations to rate the Congress. Such an index, if carefully done, would highlight for the general taxpayers the performance of Congressmen and Senators in representing their interests on spending matters.

Last, and most important, as I have suggested, we must impose some sort of absolute and inflexible limitation on federal spending, as it relates to the gross national product. We must enact a statutory spending limit that would ultimately hold federal expenditures to 19 percent of the GNP. Despite some drawbacks, such a limitation would benefit the political process. It would force the Congress to confront its priorities. Until that happens, we will continue to watch as only the foolish restrain themselves, while their peers spend and spend for the folks back home. Those who argue that Congress should not tie its hands are, even with the best of motives, arguing for unrestrained federal spending, for discouraging those necessary "no" votes.

While I believe that the glimmering of change can be seen, we have yet to see real restraint on federal spending. Congress would clearly like to respond to the general dissatisfaction of the American taxpayer, but it has yet to impose a mechanism that recognizes the ineffectiveness of individual members of Congress acting unilaterally. A spending lid would enable the Congress to say "no" in a manner that its members can support. But there is another benefit to be gained from this confrontation. If Congress were to set its own fiscal house in order, such action would produce a healthy psychological impact on

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Congress. Congress would have met the challenge, and could face the American people with a record of success, not failure. Such a success might give Congress the confidence it needs to meet other major challenges, such as those involving energy and "uncontrollable expenditures" in the budget, challenges that have defied solution by the American political process.

In addressing these new challenges, we will never surmount them successfully until we evaluate realistically the forces at play, so that new incentives can be designed and implanted.

Success begets success. Continued malaise begets malaise and failure. It is not too extreme to say that the future of the public respect for government, and thus for the nation itself, rides on the outcome.

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EXTERNAL POLICIES OF DEVELOPING STATES

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Debt of the Third World Redux ..... Roger Leeds
Prospects for a Trade Solution ..... Luciano Tomassini
Search for Food Security ..... Cheryl Christiansen
OPEC versus NOPEC ..... Bijan Mossavar-Rahmani
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Does Econometrics Add Up?

BRUCE BARTLETT

Economic forecasting in recent years has become an increasingly important factor in government policy. Decisions about the budget, the deficit, tax rates, and the quantity of money are made on the basis of how forecasters, using complex computer models, predict the course of the economy and the results of proposed policy changes. Unfortunately, they are often wrong. As Charles Schultz, chairman of the Council of Economic Advisors, recently put it, "As someone paid to be a forecaster, I have to admit that I am often paid for wrong forecasts."[1] The consistent failure of the forecasters has now led many economists and policymakers to examine the fundamental theoretical bases upon which the forecasters' econometric models are grounded, suspicious that there are certain biases and errors built into the models.

The first important macroeconometric model – a series of mathematical equations used to simulate the U.S. economy and predict the consequences of various policies – was built by Lawrence Klein after World War II. His model, the Wharton model, contains 669 equations and is one of the three most widely used econometric models in the U.S. today. The other two are the Data Resources, Inc. (DRI) model and the Chase Econometrics model. The DRI model contains some 800 equations and was built by Otto Eckstein of Harvard. The Chase model was built by Michael Evans and has about 455 equations. Before 1969 such models were rarely used by either businesses or government. Today, virtually every major corporation, government department and agency, and congressional committee has access to one or more of these models. Another measure of their influence is the fact that Mr. Eckstein recently sold DRI to McGraw-Hill for $100 million. Mr. Evans also recently sold his interest in the Chase model for a multimillion dollar amount and is now building a new model.[2]

1. Quoted in the *New York Times* (January 28, 1980).
2. "New Vogue in Forecasting," *Dun's Review* (October 1979), pp. 94-100; "Right or Wrong, Forecasts Pay," *Business Week* (May 28,

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Unfortunately, for all their sophistication, the forecasting record of the major econometric models is dismal at best. The National Bureau of Economic Research keeps track of their performance. A major study of economic forecasts by Victor Zarnowitz for the NBER concluded that the models' "record of the numerical forecasts of GNP does not indicate an ability to forecast the turn several months ahead. Not only were actual turns missed but also turns were predicated that did not occur."[3]

Fortunately for the forecasters, no one pays much attention to their track record. In fact, even dramatic mistakes by forecasters rarely come back to haunt them. Consider the case of economist Pierre Rinfret, who said just before the 1969 recession, "We ain't going to have no recession." When asked about this statement some years later he said, "That was a stupid statement, but not a very big mistake. My clients don't really care about the GNP."[4]

In 1974, however, the general record of all forecasters in predicting the length and depth of the recession was so bad that *Business Week* said economists will remember 1974 "as the year the forecasters blew it."[5] Although their failure did no lasting harm to the influence or profitability of econometric

1979), pp. 134-143; Comptroller General of the United States, *Uses of National Economic Models by Federal Agencies* (Washington: General Accounting Office, 1979); "The Economist as Prophet," *Morgan Guaranty Survey* (August 1978), pp. 9-14; James Henry, "The Future Hustle," *New Republic* (February 4, 1978), pp. 16-20; "A Big Business in Credibility," *Business Week* (March 7, 1977), pp. 84-86.

3. Victor Zarnowitz, *An Appraisal of Short-Term Economic Forecasts* (New York: Columbia University Press, 1967), p. 7; see also W. Allen Spivey and William Wrobleski, *Econometric Model Performance in Forecasting and Policy Assessment* (Washington: American Enterprise Institute, 1979); idem, *Surveying Recent Econometric Forecasting Performance* (Washington: American Enterprise Institute, Reprint No. 106, 1980); Lindley H. Clark, Jr., "Econometrics Gains Many New Followers, But the Accuracy of Forecasts Is Unproven," *Wall Street Journal* (August 2, 1977); Stephen K. McNees, "The Forecasting Record for the 1970s," *New England Economic Review* (Sept./Oct. 1979), pp. 33-53.

4. Quoted in Roger Leroy Miller, *Economics Today: The Macro View* (San Francisco: Canfield Press, 1974), p. 62.

5. "Theory Deserts the Forecasters," *Business Week* (June 29, 1974), p. 50.

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models or economic forecasting, the almost universal inability to explain what went wrong did have some long-term consequences.

Many economists now argue that today's econometric models are ill-equiped to simulate the actual reactions of people to policy changes. This is because, as Paul Anderson of the Federal Reserve Bank of Minneapolis recently put it,

> . . . most models are built on the assumption that people form their expectations by extrapolating past experience in a mechanical way. Expectations formed in this way are not very sensitive to changes in policy; they change very slowly regardless of policy changes. So simulations using such models implicitly assume that people change their expectations about economic conditions – and thus their behavior – very slowly even when important government policies have obviously changed substantially. In a sense, then, these models assume that people can be fooled for long periods of time into acting against their own best interests.[6]

As an example of this fact, it is pointed out that virtually all macroeconometric models assume a trade-off between inflation and unemployment: the higher the inflation, the lower the unemployment and *vice versa*.[7] The basis for this trade-off is found in John Maynard Keynes' *General Theory of Employment, Interest and Money*, in which he argued that since unemployment is caused by the unwillingness of workers to accept a reduction in their wage rates they must be fooled into doing so through a "money illusion." By causing inflation the government can effect a general reduction in real wages while money wage rates remained unchanged. As Keynes put it:

> Whilst workers will usually resist a reduction of money-wages, it is not their practice to withdraw their labor whenever there is a rise in the price of wage-goods. It is

6. Paul A. Anderson, "Rational Expectations: How Important for Econometric Policy Analysis?" *Federal Reserve Bank of Minneapolis Quarterly Review* (Fall 1978), p. 5.

7. Robert E. Lucas, Jr., "Econometric Policy Evaluation: A Critique," in Karl Brunner and Allan Meltzer, eds., *The Phillips Curve and Labor Markets* (New York: North-Holland Publishing Co., 1976), pp. 19-46.

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> sometimes said that it would be illogical for labor to resist a reduction of money-wages but not to resist a reduction of real wages . . . . But, whether logical or illogical, experience shows that this is how labor in fact behaves.[8]

Econometric models in the late 1960s predicted a sustained unemployment rate of four percent as consistent with a four percent annual rate of inflation. The budget deficits and money supply growth of the 1970s, therefore, should have produced the lowest average unemployment rates for any decade since the 1940s. In fact, as we know, they produced the highest unemployment rates since the 1930s. "This was econometric failure on a grand scale," say Robert Lucas of the University of Chicago and Thomas Sargent of the University of Minnesota.[9] Of course, the problem is that politicians believed the models when they said that budget deficits were necessary to lower unemployment and that inflation would not result unless unemployment got down to four percent or less.

Consequently, many economists now argue in favor of steady, consistent economic policies, with no attempts to straighten out short-run kinks in the business cycle. They say that the way to stop inflation with minimal disruption to the economy is for the government to announce the the budget deficit will be gradually reduced, that the rate of growth of the money supply will be gradually slowed, and then stick with it no matter what. As soon as people realize that the government will not alter its policies they will reorient their behavior to accept the new state of affairs. According to Mark Willes, former president of the Federal Reserve Bank of Minneapolis:

> Once the program of gradually slowing growth in aggregate demand has begun and the government has unambiguously demonstrated its determination to carry it out, the costs of the program will decline. When the new approach is well known and understood, then even large steps will not lead to higher unemployment. As surprises gradually disappear, so will the high costs of fighting

8. John Maynard Keynes, *The General Theory of Employment Interest and Money* (New York: Harcourt, Brace and Co., 1936), p. 9.

9. Robert E. Lucas, Jr. and Thomas J. Sargent, "After Keynesian Macroeconomics," *Federal Reserve Bank of Minneapolis Quarterly Review* (Spring 1979), p. 6.

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inflation with macroeconomic policies.[10]

Another criticism often made of the major econometric models is that they are entirely demand-oriented and do not take into sufficient consideration supply factors.[11] Thus, Otto Eckstein recently went to great pains to explain how the DRI model really is a supply-side model, in a letter to the *Wall Street Journal*. Michael Evans replied that

> the comments offered in Mr. Eckstein's letter indicate a fundamental lack of understanding of the current state of the art of supply-side economics. . . . The true meaning of supply-side economics is far different, and refers to the fact that a combination of high tax rates and a maze of government regulations have combined to reduce the growth in output per unit of factor input. High taxes lead to disincentives both for personal and corporate savings and for the supply of labor. Attempts to "soak the rich" result in less savings and investment and less revenue for the federal government. When the after-tax rate of return on savings is minus 5 percent per year, the personal savings rate declines to an all-time low. Perhaps all these facts are elementary, but they have not yet been incorporated in any of the popular large-scale econometric models.

Mr. Evans added that the DRI model "does not contain any true supply-side effects."[12]

Mr. Evans' criticism of the DRI model might be dismissed as mere professional jealousy except for the fact that they have been repeated by others with no axe to grind. The congressio-

10. *Federal Reserve Bank of Minneapolis 1978 Annual Report*, p. 7; see also Mark Willes, "The Rational Expectations Model," *Wall Street Journal* (April 2, 1979).

11. Paul Craig Roberts, "The Breakdown of the Keynesian Model," *The Public Interest* (Summer 1978), pp. 20-33; Irving Kristol, "The Foxes vs. the Hedgehog," *Wall Street Journal* (June 14, 1977); Arthur B. Laffer and R. David Ranson, *The "Prototype Wedge Model": A Tool for Supply-Side Economics* (Boston: H.C. Wainwright & Co., 1979); Michael K. Evans, "The Bankruptcy of Keynesian Econometric Models," *Challenge* (Jan./Feb. 1980), pp. 13-19; idem, "Confessions of an Economic Forecaster," *New York Times* (February 17, 1980).

12. Otto Eckstein, "Value of Econometric Models," *Wall Street Journal* (August 27, 1979); Michael Evans, "The Supply Side of Econometric Models," *Wall Street Journal* (August 30, 1979).

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nal Joint Economic Committee's mid-year report for 1979 notes that the DRI model "is based on the results of past experience and *is* unable to incorporate or accommodate significant changes in the interrelationships of economic forces that may result from new patterns of behavior. For this reason, the analysis (in the report) was not based solely on the model but includes calculations, assessments, and judgments that go beyond econometric modeling."[13]

The 1978 debate over the shape of Congress's periodic tax reduction bill brought out into the open some of the questions being raised within the economics profession about the biases and accuracy of macroeconometric models. The debate over whether to cut capital gains tax rates was particularly signficant because of the wide agreement that it would raise tax revenues, since more people would be inclined to sell assets with capital gains at a lower tax rate than at the higher one. Senator Russell Long, chairman of the Senate Finance Committee, was especially interested in the possibilities of cutting taxes without reducing revenue. It had been a long-held pet peeve of his that the Treasury Department's revenue estimates of the losses from various tax reductions were almost always way off the mark, because they calculated their figures on an arithmetic basis without considering dynamic or feedback effects. On paper, a tax cut obviously involves a revenue loss, but if it stimulates the economy enough, more total revenue may actually be collected because the lower tax rate will apply to a large tax base. Senator Long's experience with the investment tax credit is a case in point. As he said during hearings in June 1977:

> These revenue estimates have a way of being very, very far off base because of their failure to anticipate everything that happens. We are now estimating, I would think, that the investment tax credit would be costing us $9 billion in revenue. . . . Now, when we put the investment tax credit on, we estimated that we were going to lose about $5 billion. . . . Instead of losing money, the revenue went up in corporate income tax collections alone. Then we thought it was overheating the economy. We repealed

13. Congress of the United States, Joint Economic Committee, *Midyear Review of the Economy: The Outlook for 1979* (Washington: U.S. Government Printing Office, 1979), pp. 53-54.

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it. We would have thought that the government would have taken in more money, but instead of making $5 billion, we lost $5 billion. Then, after a while we thought we made a mistake, so we put it back on again. Instead of losing us money, it made us money. Then, after a while, we repealed this thing again and it did just exactly the opposite from what it was estimated to do again by about the same amount.

It seems to me, if we take all factors into account, it winds up with the conclusion that taking the investment tax credit alone and looking at it by itself, it is not costing us any money because the impression I gain from it is that it stimulates the economy to the extent, and brings about additional investment to the extent, that it makes us money rather than loses us money. It just convinced me that something has to be done to try to find somebody who knows more how to put the answer in the computer so that it comes out the right way. Otherwise, I gained the impression that we are moving on bad advice, that this thing that stimulates the economy is costing us money, when the sum total effect is to make us money.[14]

Actually, the notion that a tax increase may reduce revenue rather than raise it is not novel. In 1919, for example, President Woodrow Wilson said:

The Congress might well consider whether the higher rates of income and profits taxes can in peace times be effectively productive of revenue, and whether they may not, on the contrary, be destructive of business activity and productive of waste and inefficiency. There is a point at which in peace times high rates of income and profits taxes discourage energy, remove the incentive to new enterprise, encourage extravagant expenditures and produce industrial stagnation with consequent unemployment and other attendant evils.[15]

14. Congress of the United States, *Incentives for Economic Growth: Hearings before the Subcommittee on Taxation and Debt Management Generally of the Committee on Finance, United States Senate*, June 14, 1977 (Washington: U.S. Government Printing Office, 1977), p. 242.

15. From his annual message to Congress, *Congressional Record* (December 2, 1919), p. 53.

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Conversely, the view that a tax reduction may raise revenue rather than reduce it is also not new. The tax rate reductions of the 1920s, under Presidents Harding and Coolidge, and those of the 1960s, under Presidents Kennedy and Johnson, both increased revenue within a short time.

The political importance of whether or not a tax cut will increase revenue or reduce it, or whether an econometric model can accurately predict what will happen, relates directly to passage of the Congressional Budget and Impoundment Control Act of 1974. This legislation was Congress's response to the feeling that it needed new procedures in order to get control of the federal budget, which then seemed totally out of control. The Budget Act established the Congressional Budget Office (CBO) to provide Congress with an equivalent to the President's Office of Management and Budget, House and Senate Budget Committees and a new congressional budget process for dealing with tax and spending issues on a comprehensive basis. The idea was to balance total spending and total revenues, rather than deal with each individual spending and tax bill on an *ad hoc* basis. In theory this should have led to balanced budgets, instead of chronic deficits.

Unfortunately, the congressional budget process has failed to control spending. The first fiscal year in which the process was in effect saw the federal government run the largest deficit in history: $66.4 billion (FY 1976). Since then we have had deficits of $45 billion and $49 billion in 1977 and 1978, $28 billion in 1979, and almost $40 billion in 1980.

Since the Budget Committees have been unable to eliminate deficits by controlling spending, they have turned increasingly to the tax system for increased revenue to balance the budget. Fortunately for them, Congress need not explicitly raise taxes by passing new legislation (although it does this too, as with the so-called windfall profits tax). Because of our steeply graduated tax structure, inflation increases tax revenue faster than the rate of inflation: people are pushed up into higher tax brackets, even though there may be no real increase in their income. According to the Joint Committee on Taxation, the individual income tax increases revenue approximately two thirds faster than the rate of inflation.

The Budget Committees' desire to increase taxes to balance the budget, however, pits them squarely against the tax-writing

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committees of Congress, whose power lies in being able to cut taxes. Russell Long, in particular, has no intention whatsoever of having his power to cut taxes blocked by the Budget Committee. This is why he has become such a devotee of supply-side econometric models. If he can prove that his tax reduction bills will not cost the Treasury significant revenue, or will even increase revenue, then Russell Long is free to do what he wants without interference from the Budget Committee.

Under the congressional budget process the Congress sets overall spending and revenue targets in a budget resolution. Any legislation which would throw these targets off by reducing revenue or increasing spending may be prohibited from consideration. Thus if Senator Long were to bring to the Senate floor a major tax cut bill without getting a budget waiver or having it previously incorporated into the budget resolution, someone would probably raise a point of order against it and have it removed from consideration.

Despite the evidence that certain kinds of tax cuts can lead to an increase in revenue, the Budget Committees have steadfastly refused to consider this possibility when considering tax cuts. All tax cuts are assumed to involve a dollar-for-dollar revenue loss, and thus to create larger budget deficits. The clamor for a balanced budget has forced legislators to decide which is more important: a balanced budget or a tax cut. Other options, such as cutting taxes and spending simultaneously, are not seriously considered; the CBO always warns that this would do serious harm to the economy and create unemployment. This follows from the CBO assumption that there is a stronger multiplier effect to government spending than to tax cuts, because if taxes are reduced some of the money will be saved, thereby reducing aggregate demand. Conversely, if taxes and spending are simultaneously increased, aggregate demand will be stimulated, because the tax increase will reduce private saving.[16]

Thus far, the CBO has been totally immune to supply-

16. Congress of the United States, Congressional Budget Office, *Understanding Fiscal Policy* (April 1978); idem, *Closing the Fiscal Policy Loop: A Long-Run Analysis* (December 1977); idem, *The CBO Multipliers Project: A Methology for Analyzing the Effects of Alternative Economic Policies* (August 1977).

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oriented thinking and has continued to argue in favor of demand-management policies: for spending and against tax cuts. And because the CBO has more than 200 professional economists on its staff, it has been able to back up its recommendations with impressive studies and reports which intimidate congressmen and senators into going along, in the belief that the CBO speaks for the economics profession.[17] Not so. Economics is far from monolithic, and there are any number of serious disagreements on the issues. In short, CBO's views are opinions and little more. And like all those who offer opinions, CBO has its biases. A recent paper by David Meiselman and Paul Craig Roberts spells out some of the institutional problems with CBO's outlook:

> In the CBO analysis there is demand without supply, inflation without money, interest rates without capital, output without inputs, employment without wage rates or a capital market, and investment without saving or any change in the capital stock. Expectations are assumed to be static, and consumption is assumed to depend only on current disposable income. . . . The study concludes that the new budget process has institutionalized Keynesian fiscal policy rather than budget balance as the concept of budget control. Now, deficits are rationalized in terms of scientific economic policy prior to the appropriations process. This tends to loosen rather than tighten constraints on government expenditures.[18]

The CBO and its model have also come in for attack before Congress. Michael Evans testified before the Senate Budget Committee in 1978 as follows:

> To give one example, without being too technical, most people believe that the function that explains consumer behavior depends on a long period of past income as well as the present level of income. This was established

17. See Tom Bethell, "Fooling With the Budget," *Harper's* (October 1979), pp. 41-52, 116-7; Senator Orrin Hatch, "Congressional Irresolution," *Barron's* (July 9, 1979), pp. 11-25.

18. David Meiselman and Paul Craig Roberts, "The Political Economy of the Congressional Budget Office," in Karl Brunner and Allan Meltzer, eds., *Three Aspects of Policy-making: Knowledge, Data and Institutions* (New York: North-Holland Publishing Co., 1979), p. 283.

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practice 20 years ago and is now part of the literature. The CBO model made no distinctions between the short term and the long term. They say you get the income and spend it and that is it. That is why savings is down because there are no feedbacks to the spending for consumers.

This is bad economics. This is a step backward because this is not right. If you lower corporate tax rates or do other things it has some positive effect on investment. The problem is that economists do not agree on the magnitude. Some say that cutting corporate rates or expanding the investment tax credit is best . . . . The third fact is that the CBO model is only four or five equations so there was not room to include any supply side at all. If you asked anyone, if you increase productivity will you lower inflation, I think the answer would have to be yes. Yet there is no mention of that in the CBO model.[19]

Mr. Evans' testimony was endorsed by Herbert Stein, former chairman of the Council of Economic Advisors, who added that the CBO gives very little consideration to the money supply and also has a unique way of deciding what is the optimum size of the federal deficit necessary to maintain the economy, rather than saying we have a choice of a large number of different combinations of fiscal and monetary policies which would give the same overall results.[20]

The CBO reacts to such criticism by proclaiming its nonpartisanship and lack of any intention to steer the Congress toward adopting specific policies. However, a recent paper by Preston Miller and Arthur Rolnick of the Federal Reserve Bank of Minneapolis points out that there are inevitably policy implications in the way CBO carries out its studies. They point out, for example, that the CBO generally produces only short-range forecasts — two years or less. This fact inevitably biases the results; almost all econometric models will show that an expan-

19. Congress of the United States, *Second Concurrent Resolution on the Budget — Fiscal Year 1979: Hearings Before the Committee on the Budget, United States Senate*, July 27, 1978 (Washington: U.S. Government Printing Office, 1978), pp. 178-9; see also idem, *Special Study on Economic Change: Hearings Before the Joint Economic Committee*, June 13, 1978 (Washington: U.S. Government Printing Office, 1978), Pt. 2, pp. 678-9.

20. *Budget Hearings*, p. 179.

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sionary fiscal policy will stimulate output and have little effect on inflation for two years. Subsequently, the real output effect will die out while the inflationary effect will grow. By truncating its forecasts at less than two years, therefore, the CBO gives the misleading impression that changes in policy will have positive effects on real output and negligible effects on inflation.[21]

Other examples of bias may be found in CBO's own publications. A paper entitled "Temporary Measures to Stimulate Employment" lists only five alternative ways for Congress to deal with unemployment: public service jobs, aid to state and local governments, accelerated public works, increased government purchases, and a tax cut (unspecified). The figures clearly imply that public service jobs are the superior method, costing only about $8,000 each, compared to a tax cut which would cost as much as $122,000 per job. To come up with such figures, the CBO assumes that all tax cuts are the same, in that they influence the economy only in the form of stimulus to aggregate demand. The incentive effects of various kinds of tax cuts are irrelevant. To the CBO, it is all the same whether the corporate tax rate is cut or the government hands out one-shot tax rebates to everyone. At least in the short run, the effects will be exactly the same if their aggregate dollar size is the same. In other words, the only thing that matters is whether or not people have more dollars to spend, whether it is because of a tax cut or a government check sent to every American.[22]

Russell Long has had to fight against this view, not particularly because he disagrees with it, but because it inevitably puts him in competition with the Budget Committee and the Appropriations Committee. If a tax cut is all the same to the economy as an increase in spending, and an increase in spending for, say, public service jobs gives us more "bang for the buck" than tax cuts, then his power is severely undermined unless he can prove that there is something special about tax cuts. This leads him

21. Preston J. Miller and Arthur J. Rolnick, *The CBO's Policy Analysis: An Unquestionable Misuse of a Questionable Theory* (Federal Reserve Bank of Minneapolis, Staff Report No. 49, August 1979).

22. Congress of the United States, Congressional Budget Office, *Temporary Measures to Stimulate Employment: An Evaluation of Some Alternatives* (September 1975), pp. 68-72.

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inevitably to the matter of the incentive effects of various different fiscal policies. If Russell Long can find a respectable econometric model which can measure incentive effects and thereby produce feedback from tax reduction legislation, then he doesn't have to fight the Budget Committee when he wants to cut taxes. This is what led the Senate Finance Committee to give Michael Evans $250,000 to build a new econometric model sensitive to supply-side consideration — one which will show how revenue can increase from tax cuts.[23]

Mr. Evans has completed his model, but many other economists have also developed what they claim to be "supply-side models." Dr. Norman Ture has had such a model for years. In 1979 Dr. Arthur Laffer unveiled his model, developed in conjunction with the American Council for Capital Formation and the H.C. Wainwright Company. Among the findings of Dr. Laffer's model is the forecast that passage of the Roth-Kemp Tax Reduction Act, which would reduce marginal tax rates on individuals by about a third, would increase aggregate tax revenue by the fifth year after passage above what they would have been in the absence of any tax cut, due to its dynamic effects on the economy.[24] Another such model has been developed by D. Evans Vanderford.[25]

Interestingly, Otto Eckstein and DRI now claim to have built a supply-side model, developed in conjunction with the Joint Economic Committee. The principal finding of Mr. Eckstein's model thus far shows that a properly designed tax cut may reduce inflation rather than increase it, by increasing productivity, which in turn has a multiplier effect in terms of reducing inflation.[26] This is important because heretofore it has been a

23. Juan Cameron, "The Economic Modelers Vie for Washington's Ear," *Fortune* (November 20, 1978), pp. 102-5; Edward Cowan, "Model Is Due in Senate On Benefits of Tax Cuts," *New York Times* (February 18, 1980).

24. Laffer and Ranson, *Wedge Model*, p. 33.

25. D. Evans Vanderford, "Building A Supply Side Model: The Permanent Money Balances Hypothesis," *Taxing & Spending* (Winter 1980), pp. 21-42.

26. Congress of the United States, Joint Economic Committee, *Joint Economic Report 1980: Plugging in the Supply Side* (Washington: U.S. Government Printing Office, 1980), pp. 35-37; Otto Eckstein, *Tax Policy and Core Inflation: A Study Prepared for the Use of the Joint Economic Committee* (Washington: U.S. Government Printing Office, 1980).

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fundamental principle of Keynesian economics that tax cuts stimulate inflation by increasing aggregate demand, whereas tax increases slow inflation by reducing demand.

Nevertheless, despite the work of Messrs. Evans, Ture, Laffer, and Eckstein, the House and Senate Budget Committees refuse to use such models, or even to acknowledge their value. Recently, Senator Orrin Hatch, a member of the Senate Budget Committee, requested that the committee hold hearings on problems with the models. In a memo which later became public, the committee's staff director, John McEvoy, told the committee chairman, Senator Edmund Muskie, that Alice Rivlin, head of the CBO, did not want such hearings. Mr. McEvoy said that Dr. Rivlin considered critics of the models to be "an extreme right-wing claque who should not be given an audience, lest it legitimize their views."[27] In light of the fact that some of the most eminent men in the economics profession now agree that there are serious problems with the major macroeconometric models (Mr. Eckstein was a member of the Council of Economic Advisors under President Johnson), it would appear that CBO's attitude relates more to its liberal biases than to objective economic opinion.

The fact is that economics is far more political than anyone realizes. Economists try to pass themselves off as scientists, mimicking scientists' methods (computers, mathematics, statistics), when in fact there is no comparison between economics and hard science. In economics there are no constants. All economic relationships vary with time, and the same individual cannot even be depended upon to react the same way to the same circumstances twice. Ultimately, one's economic outlook is determined philosophically, not empirically. If one believes that an expansion of government power can improve life, then one will incline toward one school of economic thought. If one believes that an expansion of state power is contrary to individual welfare, then one is going to incline toward another school. Moreover, one is going to get a different

27. Rowland Evans and Robert Novak, "Backstage at the Budget Committee," *Washington Post* (April 11, 1980); "Mrs. Rivlin Rejects Supply-Side View," *New York Times* (April 14, 1980); Editorial, "The 'Right-Wing Claque,'" *Wall Street Journal* (April 9, 1980).

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forecast from an econometric model depending on one's world view. As a recent report from the Joint Economic Committee observes, whether a model is used for forecasting or policy analysis "its results are always subject to modification by the analysts if they appear 'unreasonable.' This means that different analysts may derive different results from the same model if they alter the model's output to conform to their own judgement."[28]

Econometric models cannot really tell policymakers what to do. All they can do is reinforce decisions that have already been made on other grounds, whether they be political or philosophical. Unfortunately, models can give the appearance of providing exact proof for a particular view – which can be persuasive for those who do not hold strong political or philosophical views on a particular matter.[29]

The great economist Joseph Schumpeter understood that the development of econometrics would increase the influence of economists on policy, precisely because it quantifies everything and gives the illusion of exactness. Thus Professor Schumpeter was surely correct when he wrote in the first issue of *Econometrica* (January 1933):

> The only way to a position in which our science might give positive advice on a larger scale to politicians and businessmen, leads through quantitative work. For as long as we are unable to put our arguments into figures, the voice of our science, although occasionally it may help to dispel errors, will never be heard by practical men. They are, by instinct, econometricians all of them, in their distrust of anything not amenable to exact proof.[30]

28. L. Douglas Lee, *A Comparison of Econometric Models: A Study Prepared for the Joint Economic Committee* (Washington: U.S. Government Printing Office, 1978), p. 2.

29. In general, see F.A. Hayek, *The Counterrevolution of Science* (New York: The Free Press, 1955); Murray N. Rothbard, "The Mantle of Science," in Helmut Schoeck and James Wiggins, eds., *Scientism and Values* (Princeton: Van Nostrand, 1960), pp. 159-80; Ludwig von Mises, *Human Action* (New Haven: Yale University Press, 1949), pp. 347-54; Leland Yeager, "Measurement as Scientific Method in Economics," *American Journal of Economics and Sociology* 16 (July 1957), pp. 337-46.

30. Joseph Schumpeter, "The Commonsense of Econometrics," *Econometrica* 1 (January 1933), p. 12.

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JOURNAL OF LABOR RESEARCH

Volume I **Fall, 1980** **Number 2**

Some Empirical Observations of Relevance to the Analysis of Union Wage Determination ..... *Daniel J. B. Mitchell*

The Effect of Strikes on Shareholder Returns ... *Charles R. Greer, Stanley A. Martin and Ted A. Reusser*

Unemployment: A Labor Market Perspective ..... *Rex L. Cottle*

Political Support for Minimum Wage Legislation ..... *Farrell Bloch*

The Labor Market Effects of Minimum Wage Laws: A New Perspective ..... *Richard B. McKenzie*

Public Employee Unions: A Study in the Economics of Power ..... *Lawrence M. Spizman*

The Hocus Pocus of Union Avoidance ..... *Woodruff Imberman*

SYMPOSIUM
ECONOMIC ASPECTS OF UNION MEMBERSHIP: FREE RIDERS OR PAYING CUSTOMERS?

Introduction and Overview ..... *Daniel Orr*

The Public Goods Argument for Compulsory Dues ..... *Morgan O. Reynolds*
Comment ..... *Thomas R. Haggard*
Comment ..... *Mancur Olson*

The Closed and Union Shop in Western Europe, An American Perspective ..... *Everett M. Kassalow*
Comment ..... *Jan Svejnar*
Comment ..... *Kurt L. Hanslowe*

Membership and Wage Impact of Right-To-Work Laws ..... *William J. Moore*
Comment ..... *Neil A. Palomba*
Comment ..... *James W. Kuhn*

The Benefits of Union Membership and the Decision to Join a Union ..... *Bernard F. Lentz*
Comment ..... *Ronald G. Ehrenberg*
Comment ..... *Jules G. Getman*

Book Reviews

Index to Volume I

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An Arts Policy?

KINGSLEY AMIS

Last year in these pages Ernest van den Haag argued cogently against government subsidies for the arts (and was later very uncogently answered). His remarks were particularly interesting to those of us in Great Britain who are becoming more and more doubtful of the value of our Arts Council, with its £70 million yearly budget, platoons of bureaucrats, and tutelary Minister (Norman St John-Stevas). It's tempting to shout, Abolish the lot! And yet . . . Word came recently that La Scala in Milan was facing a financial crisis. When the most famous opera house in the world is hard up, any categorical or instant solution to the problem seems ruled out.

As you'll see soon enough, what I have to say carries no special authority. I've been selling my work for nearly thirty years and living off it for over fifteen. I have some experience of other arts as what's now called a consumer. I'm a member of the Writers' Guild of Great Britain, but not a very active one, I'm afraid, and I've never sat on any panel or board or committee concerned with administering the arts. So at any rate I have no vested interest in the matter. I've a vested interest in surviving, like everybody else, and also like everybody else another one in not being told what to do. More of that in a minute.

You may not think so, but I chose my title with some care.[1] *An* arts policy? Only one single policy for all those different arts? An *arts* policy? What a horrible bureaucrat's phrase, with 'arts' used as an adjective. An arts *policy*? As Mr St John-Stevas asked, "Why should a political party have an arts policy at all?" and I think any Conservative approaches the subject not with the eagerness of the planner but with the feelings of someone

1. Based on a lecture delivered last year under the auspices of the Centre for Policy Studies.

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reluctantly settling down to a not-very-exciting duty. I hope so, anyway. The question mark in my title is meant to show that reluctance. It also shows indecision: I'm not sure what policy is best. And that's rare; my friends will tell you that for Amis not to be absolutely certain what he thinks on any topic from Aaron to Zoroastrianism is almost unknown. The question

One thing I'm absolutely sure about is that any kind of socialist policy for the arts must be sternly resisted at every point. When the State takes a really passionate interest in the work and other activities of its artists, creative and executive alike, the artists had better start running. Many a writer in the Soviet Union, for example, must feel he could well have done without the kind of official recognition he's attained. It would be foolish to pretend that there are not plenty of people in the Labor Party and elsewhere who would like to see a British government concern itself with culture to the same sort of degree. Any kind of totalitarian hates all artists, not only writers, because he can never own or direct their talent, what makes them artists.

What is the official arts policy of the Labor Party? I strongly recommend its pamphlet *The Arts and the People*;[2] notice it's not *The Artists* or *Artists and the People*; it's *The Arts*, the commodity, *and the People*, the consumers. I thought I was going to be bored, but I wasn't; I was fascinated, and horrified. If I spend a few minutes on it, that's not only because it pays to know your enemy, though it does. Preliminary thanks are offered to the people who made their experience and expertise available to Labor's N.E.C.: Government ministers, MPs, trade unionists and individual Party members – I suppose some of them might have been artists. First sentence of text: "The arts are politically important." Footnote: "In this statement we use the term *arts* to include all cultural activities – including those activities often termed as entertainment." Next page: "Politics are inextricably sewn into the fabric of the arts"; quite a vivid image. There, of course, the authors are telling us something about their brand of politics, not about the arts. You won't find much political content in a given string quartet. I suppose they might tell you that that content is in string quartets as a whole, something to do with a leisured, affluent

2. *The Arts and the People*, The Labor Party, October 1977.

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class, perhaps. That would be a pity, because what is interesting about any string quartet is how it differs from all the others written up to that time. After studying Shakespeare politically, which I did once, you can be pretty sure he wasn't a republican and he wasn't anti-English, and that's about it. Enough; we know where we are there.

What the authors call in so many words a socialist policy for the arts has six clauses. (A) goes: "To make the arts available and relevant to all people in this country." To call something 'relevant' like that, as a synonym for 'meaningful' or 'interesting', is a very unpopular use in some quarters. I'm all for it; it's a useful or even infallible sign that the writer is a victim of appalling herd-instinct, getting his ideas from some fashionable source and passing them on without taking them in or thinking for himself. Also, you can't do that, make the arts relevant to all people in this or any other country, nor even to most people, who are not interested in them. Before sitting down to frame an arts policy, it's essential to understand that. It's a traditional Lefty view, the belief that anybody can enjoy art, real art, in the same way that everybody is creative. In the words of that old idiot and very bad artist Eric Gill, "The artist is not a special kind of man; every man is a special kind of artist.[3] That's only possible if making mud pies counts as art, which admittedly is beginning to happen. Can you imagine a novel, say, that was relevant to everybody in the United Kingdom, including the ones with an IQ of 80? But I think that's what these chaps are getting at. You notice they say 'available' as well as 'relevant'. Obviously a novel is physically *available* if it's in print; they must mean 'accessible', another fashionable use, 'understandable' by an 80 IQ. So the novelist is to write down to his readers and thereby cease to produce art. The trouble with bringing art to the people is that it tends to get fatally damaged in transit. In other cases, the commodity to be brought to the people is of course not art at all but a mush of Lefty propaganda presented as art.

I may have come a bit too far too fast. Anyway, clause (B) of the socialist arts policy goes: "To increase the quality and diversity of the arts with greater emphasis on those based in

3. Somewhere in the works of Eric Gill. I'm not going to read them through to find out where.

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communities." So my duty is clear. I must write better, which had never occurred to me before, and I must write more sorts of things, epic poems and introductions to catalogs of exhibitions of experimental paintings and gags for TV shows – remember they're art too, even though they are often termed as entertainment. Actually, more than this is required. "A socialist policy," they say further on, "requires more books, and a wider range and higher quality of books to be published, written by authors of every sort of social background." Naturally. But why aren't people writing these high-quality books already? Our friends seem to think quality is a sort of optional ingredient or extra like relish on hamburgers: 'Don't forget the quality, mum!' Years ago, when the universities were beginning to expand their intake, I wrote of university students, "You cannot *decide* to have more good ones. All you can decide to have is more. And more will mean worse."[4] So with books, so with paintings, so with everything. An artist is a special kind of man, or woman; there are never many around at one time, and there's no way of making new ones, even by spending money. Authors are certainly going to have some money spent on them, though, because literature is, "an underfinanced artistic area." Would you let someone who talked about 'underfinanced artistic areas' recommend you a book?

What about those arts 'based in communities'? What are they? There's community singing, of course, but I'm sure they don't mean that: much too spontaneous and uninstructive. It's hard to make out what they do mean. Community arts are a 'process of art activity' rather than a product. They include drama, but it's community drama; music and dance, also community; silk-screen painting, video, murals and neighborhood newspapers – 'all aimed at involving the community', they tell us, and – they don't tell us, but I know – all left-wing. Community theater would be very, very poor man's Brecht, Arnold Wesker, etc. There's a good give-away passage about encouraging, "fringe experimental and community theater which most regional and national theaters have neglected from lack of finance and lack of interest." In other words, we'll supply the finance and the old habit of giving the public not what it wants but what they think it ought to want. And it's

4. *What Became of Jane Austen? and other questions*, Cape, 1970, p. 163.

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the Tories who get called paternalistic! Happily, the public won't take what it doesn't want. It goes somewhere else. It changes the channel.

The last point I want to make about this vile document, which manages to disgrace the Labor Party, concerns its answer to the question, 'Who will run the arts?' Well, "a policymaking National Conference for the Arts and Entertainment will be set up, comprising of" — this is really elegant stuff — "elected representatives from local authorities, Regional Arts Associations, arts and entertainment trade unions, individual artists, subsidised management, and other relevant bodies" — got it right for once — "such as those directly representing the consumers of the arts." So this lot decides what the public ought to want and a reformed Arts Council doles out the cash. It, the reformed Arts Council, will comprise of, one-third Ministerial appointees suggested by what they call "interest groups in the arts" (hold on a minute) and two-thirds "representatives of most of those interest groups represented at the National Conference." and a list follows. Since it's only 'most of,' who's missing? Local authorities? No, they'll be there. Trade unionists? No. It's individual artists. We're not having any of *them* on our new Arts Council; who do they think they are?

Paying the Piper

So under a Labor government we'd have the Trade Unions Congress controlling the arts in this country. And it's well enough known that he who pays the piper calls the tune, except that these days it wouldn't be a tune but a succession of meaningless noises that nobody asked for. The principle doesn't change when a Conservative government comes to power, though I obviously wouldn't be here if I didn't think that such a government would exert its influence more wisely and far more gently than the contenders on the other side. And yet . . . The whole question of paying for the arts is a very difficult one, not only at the doling-out end but also at the receiving end, the end which isn't so often considered from this point of view. The truth is that the way an artist is paid profoundly affects his product, whether he's an opera producer, what used to be called a lyric poet, or anything in between. Most artists are subject to two quite different pressures, one to do with their material, the other to do with their public. In the

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twentieth century a lot of artists have become heavily involved with their material at the expense of their public. In other words, they tend to produce something very technical, complex, unfamiliar, in some way unexpected, and the public doesn't understand it, is bored, baffled, or outraged. And the public – I belong to it myself most of the time – is usually right. This was happening long before there was any government support for the arts, but that support encourages the tendency. In explaining his resignation from the Arts Council in 1977, the distinguished poet and novelist Roy Fuller wrote: "The bestowal of money for the arts inevitably attracts the idle, the dotty, the minimally talented, the self-promoters."[5] He might have added that their typical product is plays without plots, a canvas entirely covered with black paint offered as a picture, poems that are meaningless patterns of letters – I needn't go on. If you're paid in advance or have your losses underwritten, the temptation to self-indulgence is extreme. If you have to please to live, you'll do your best to please.

The standard answer to that, of course, is that I'm suggesting that artists should pander to the public's whim and that new work, innovative work, should not be encouraged. The public's whim is better than the critics' whim or the experts' whim or the bureaucrats' whim and what we should encourage is good work, not new work. Actually the public's whim can be pretty constant, a whim of iron. Take one field: music. A new work, called, say, 'Distortions', is commissioned. It's to be played at a concert. You have to put in other works as well, by Beethoven, Schubert, Brahms, and other composers who pandered to the public's whim. When you work out the order of performance, 'Distortions' has to be played second. If you put it first, nobody comes in until it's over, except the composer's party and the critics. If you put it third, before the interval, everybody goes out before it starts. If it's after the interval, they all have a drink and go home. And it's been like that for fifty years – some whim. A cynical friend of mine, a very able keyboard player and conductor, said that the really rare event in musical life is the *second* performance of a modern work; no subsidy for that. Well, I could go on about this for hours, as you may well imagine, so I'll round off this bit just by stating

5. *Encounter*, October 1977.

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flatly that if you really are interested in quality, one way of allowing it to improve would be to withdraw public money from the arts.

As well as being tempted to be self-indulgent, the State-supported artist is likely to be wasteful. We all spend other people's money more freely than our own, with less regard for value. It doesn't really matter if a chap overspends an individual grant, which is likely to be pretty small anyway. It matters rather more if he's in charge of a new production of *Carmen*. Let's call him Entwistle. He'll be very lavish on the production itself, because that's what gets talked and written about. It's Entwistle's *Carmen* you go to see, and when you've finished discussing that you go on to the singers' *Carmen*, and possibly you might have a word or two to say about Bizet's *Carmen* if there's time, or room. I was told on excellent authority a terrifying story about a recent production of *Rosenkavalier*. There's a drunken-brawl scene in which, at every performance, half a dozen glasses were smashed on the stage. One of the singers noticed that they seemed posh affairs, and asked how much they'd cost. Seven or eight pounds, he was told. "What!" he said. "Why aren't you using tooth-glasses?" "Oh, the audience would see, and it would seem wrong to have rich characters drinking out of cheap glasses." I'm glad I'm not playing the Bleeding Sergeant in that fellow's *Macbeth*; presumably he'd stab me every evening before I made my entrance so the audience wouldn't be put off by seeing artificial blood. I don't think he'd be spending fifty quid a week on glasses if the money came out of the takings, do you? As a footnote, I similarly doubt whether you'd give £2,865 you'd earned and paid tax on to something called Harry's Big Balloonz. Well, the Arts Council gave that sum to a body so named in 1975-6. Actually it's a performance art group, whatever that is, but I wouldn't give a cent of *your* money to anything called that, even if it were a charitable home for distressed old ladies. (That strikes me as quite a good wheeze for go-ahead charitable homes. I offer it free.)

So taxpayers' money paid to the arts encourages waste and irresponsibility in those who do the spending as well as self-indulgence in the artist. On the second point, I might have said further about 'Distortions' that as well as not writing for the public the composer *is* writing for the critics, which means he'll inevitably strive after originality. It's annoying, but origi-

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nality will come of its own accord or not at all, and striving for it must have a harmful effect. Anyway, am I arguing for the abolition of subsidies? For the moment I am. A third argument on this side concerns the supposed experts who sit on the central panels, the awful Regional Arts Associations and so on. A full study of the rise of the expert in this century, especially its second half, would make enthralling and very depressing reading. It's all part of the great loss of confidence that has shaken our society, beginning at the time of the First World War. In the past, you didn't know anything about art, but you knew what you liked. Of course you did, and what was even more important, you weren't afraid to say what you liked, and didn't like. You were a Victorian businessman and you came down to London from Birmingham and you bought a Pre-Raphaelite picture because you liked it, not because some interfering git called Ruskin said you should. Now you ask an expert because you don't trust your own judgment. It's comically appropriate that one of the most totally committed expert-worshippers of our time should be Sir Roy Shaw, the amiable head of the Arts Council, or its Secretary-General as he's forbiddingly known. Roy Fuller, in his why-I-resigned article in *Encounter* magazine,[6] gave as one minor reason what he called "the hideous contemporary paintings" bought by the Council and hung in its Piccadilly offices. In his reply the following month, Sir Roy said that Roy Fuller was an excellent poet, but, "he is not an authority on contemporary painting and neither am I; the paintings were bought on the advice of people who are."[7] We learn from that that Sir Roy must himself be an authority (up-market term for an expert) on contemporary poetry, or he'd have had to ask one to find out whether Roy Fuller was an excellent poet or not. Imagine telling Lorenzo the Magnificent that that painting he thought he liked had been pronounced bad by an expert.[8] Imagine

6. *Ibid.*
7. *Encounter*, November 1977.
8. I have no quarrel with the expert as such, who can be very useful in his proper role of supplying me with specialist information and helping me to form my taste. If, instead of making up my own mind, I let him tell me what's good and what's bad, I'm abdicating my responsibility, encouraging in him an inflated view of his own importance and increasing his already excessive power. Art is for the public, not for experts.

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telling our Victorian businessman. Their descendants are afraid of being thought unprogressive.

The Reign of Experts

The present system exalts the expert and institutionalizes him. The panels and study-groups and regional boards he sits on officialize and bureaucratize and politicize art. They might have been designed for the needs of the Left and probably were: new and expanding bodies with ill-defined powers and fields of operation and endless public money, money the public won't pay. For the moment I'm objecting not to Leftists' politics as such but to the consequences of those politics on the various bits of art that get publicly promoted and financed. It's strange that some of the members or supporters of what rather sadly still likes to think of itself as a mass party should have such elitist tastes, that left-wing views should go with an apparent liking for avant-garde, experimental, nonsensical, and certainly minority art. The explanation must be that the Lefty's settled hostility to tradition, to things as they are, overrides his feelings of class solidarity, perhaps not very strong in the first place.

So do we phase out the Arts Council and all the other bodies, withdraw in the end every shilling of public support? It's tempting. Think of a Minister for the Arts with no functions at all, his title a pure honorific like Warden of the Cinque Ports, a symbolic figure to be seen only at first nights or private views. Certainly some parts of the system could be closed down: grants to individual writers and other artists whose materials aren't expensive could well go, and there seems an unanswerable case for closing down the National Film Finance Corporation and the other bodies it has spawned, what with their classic demonstration that investment in failure ends in failure. But things like that wouldn't save very much, any more than closing down arts centers, however desirable that would be on every ground you can think of. The really big spenders are the national opera and theater companies. What the question boils down to is whether we seriously think the day will come when Covent Garden or the National Theater can get along without any taxpayers' money and also without lowering the quality of their productions, though putting a 50p ceiling on any glasses they may break. If we do think that, then the argument is over.[9]

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Where's the money to come from? David Alexander, of the Selsdon Group,[10] thinks it could come from where it most certainly should come from: the individual as consumer, not as taxpayer. Enough private money would be set free by radical cuts in taxes on capital and on incomes to cover the gap left by the withdrawal of subsidies. Dismissing as a red herring the idea of business patronage, David Alexander sees what he calls mass patronage as the answer. Colin Brough, of the Bow Group,[11] sees things differently. He doesn't think the arts can ever be free of State support, but a large injection from business could be gained by changes in the laws affecting capital gains, covenants and such matters. I don't know what I think. I am very conscious of the idea that any transition involving a large increase in the price at the box-office would have to be managed with almost superhuman care, and I hate the thought of any of these important institutions being endangered. If they had to shut for a month or two, they'd probably shut forever. But what I do think is both important and practicable is the lifting of the 15 percent Value Added Tax (VAT) on the arts, if not on all of them then on theater, opera, and concert seats. Even the authors of the Labor Party pamphlet agree with me here. To take this action would be to give a huge invisible subsidy of the best kind, one that doesn't benefit individuals or individual groups. I urge the government to consider this seriously and soon.

The Conservative Response

I've said nothing so far about the Conservative document about arts policy,[12] because it's very disappointing, to put it as mildly as possible. The sub-title, *The Way Forward*, bodes ill. The first sentence goes, "Any government, whatever its political

9. Some part in that argument would be taken by the example of the Glyndebourne opera, which is privately supported. It is, however, a comparatively small-scale venture, and was founded at a time when conditions were more propitious.

10. *A Policy for the Arts: Just Cut Taxes*, The Selsdon Group, July 1978.

11. *As You Like It: Private Support for the Arts*, Bow Publications Ltd., n.d.

12. *The Arts: The Way Forward*, Conservative Political Centre, September 1978.

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hue, should take some active steps to encourage the arts." No. The arts aren't like housing or public health; they have their own momentum and rate of development, and must be allowed to pursue it unmolested by encouragement as much as by censorship. The extra reason why I said so much earlier about the Labor pamphlet is that long stretches of the Tory one read just like it, though they're rather better written. *The arts are menaced by public indifference.* No: public interference. *The bureaucrats who dole out the money lean towards the conventional and established.* No: they lean towards experimentalism and non-art, because they're afraid of being thought unprogressive. *Fringe activities should be encouraged.* No, no, no. I won't go on. Apart from suggestions that VAT should be reduced, State subsidies limited to 50 percent of revenue, and business support actively encouraged, the authors have nothing useful to say and a good deal that's pernicious. Their statement is a sad example of Tory me-tooism.

I'd like to say thank you to the government for establishing the principle of the Public Lending Right for authors, and to explain to the doubtful that payments under PLR would not be grants to individuals but returns for services already rendered to borrowers of library books, the money coming not out of those borrowers' pockets but out of taxation. Perhaps I might also point out that so far no money has even started to come. Action, please.

You'll understand if my final point is also about books. One of the simplest ways, not of bringing art to the people, but of letting the people get at art, is by way of bookshops. In this country there are about 500 chartered bookshops — that is, shops where you can't buy toilet-requisites or pop records, just books. In West Germany there are 6,000. There are large provincial towns in Great Britain with no decent bookshop at all. Somebody willing to start one could be supported in one or more of several ways: with a grant or loan for fitting out the premises, buying the initial stock, meeting some of the overheads, etc. To bring such a shop into being would be a real community service, and those many who live out of reach of one will probably agree with me that it's as important as establishing any sort of theater, and much cheaper. The arrangement would also benefit authors, which is no bad thing. Some of the expense could be offset by stopping the subsidies to little magazines that mainly or largely publish poetry. The

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provision of unearned cash, cash that comes in whatever and whoever you print, almost inevitably results in a magazine of that kind becoming the preserve of a clique, a disability to which poetry is peculiarly liable, and that is a bad thing, and not a trivial one either. As so often, public funds turn out to be harmful to the very people they were intended to help. It's odd that Conservatives of all people should seem not to have noticed that after thirty years.

Postscript: Since I wrote this last year my attitude has hardened (moved another inch or two to the Right) as follows:

I no longer favor the financing of library loans out of central taxation. Hard cases aside, the borrower should pay.

I'm dubious about those subsidized bookshops, but I've let that part stand because the point is worth discussing.

Some of the activities and achievements of the Writers' Guild of Great Britain now seem to me suspect. Any such body is likely to be socialist in both composition and policy. Like all trade unions, it will work to benefit the established at the expense of newcomers. Thus it has recently framed a document guaranteeing authors a minimum advance and royalties and has induced three or four publishers to sign it. My rudimentary economic sense tells me that minimum rates create unemployment, specifically that the publisher in the case will recoup his losses by not taking on an untried author; he might have risked the £100 (say) that that author might have cheerfully accepted, but he won't risk the £200 (say) required under the agreement. And incidentally, like so many unionist measures, the arrangement suits the established employer, too. Those two fellows with one room and a telephone, trying to start a publishing business, might be able to afford the £100 but not the £200 needed to ward off boycott by the Guild. What the British Guild and British publishers are doing is obviously of little direct concern to Americans, but the general principle may interest them.

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The Three Faces of Unionism

LEO TROY, C. TIMOTHY KOELLER, and NEIL SHEFLIN

Unions wield substantial economic and political power in open societies, so from time to time social commentators quite naturally assess their impact on the economy and society. Our purpose here is to examine one recent and important assessment, that of Richard Freeman and James Medoff, professors and economists at Harvard.

In an evaluation which appeared in *The Public Interest* (Fall 1979), Professors Freeman and Medoff (hereafter, for brevity's sake, referred to as F-M) concluded that their analysis yielded "a new view of unionism," and that trade unions contribute more than they cost "modern industrial life." Because they believe unions are, on balance, a positive factor, F-M regard with misgivings the ebb of union power in the private sector of the labor market, a development which has been underway for the past quarter of a century. And to remedy the decline, they imply that government should intervene in industrial relations even more forcefully than had been proposed in what they termed the "mild" Labor Reform Act of 1977.

The building blocks of their analysis of American unionism are its "two faces." One, which the authors call the "monopoly view," is economic; the other is a matter of industrial relations and is known as the unions' collective voice or institutional response to the labor market. Economists have usually relied almost exclusively on the former; F-M offer the second as an alternative perspective. It originated in Albert O. Hirschman's concept of the collective voice: a mechanism by which workers bargain and participate in the political process.

F-M apply both "faces" or models to three major issues: economic efficiency, the size distribution of income, and the social nature of unions. In each case, they find that the concept of the collective voice yields a more favorable view of trade unionism than does the standard economic "monopoly" view.

In contrast, it is our judgment that F-M's interesting and

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thought-provoking analysis constitutes only a partial effort to balance the pros and cons by examining the "two faces of unionism."

We will examine key points of their analysis and outline what we feel is unionism's "third face": its drive to expand state intervention in labor markets and generally to increase the level of public expenditures, further limiting the private sector. We believe our findings and conclusions should provide those interested in union affairs, as well as policy makers, with a more balanced evaluation of organized labor's role in an open society – in which, of course, workers have the right to establish unions, in which unions, as voluntary organizations, have the right and obligation to represent the interests of their members in collective bargaining and to present their members' and their own views to public bodies as freely as other groups or individuals.

Unions and Efficiency

Do unions cause a misallocation of resources and retard productivity? Economists applying their models of monopoly conclude that unions, like business monopoly, do indeed misallocate resources and reduce efficiency in firms, industries and the economy. The process is straightforward. Unions raise wages above market levels for employed members (or those represented) at the cost of unemployment and lowered wages for other workers. One key factor governing the size of this relative union wage advantage is the economic climate. According to H. Gregg Lewis's basic work on unions' relative wage effect, it is at its maximum during severe depressions (estimated at 25 percent in the depths of the Great Depression) and at a minimum (nearly vanishing) during inflations.[1] In periods of high employment, unions may provide about a 10-15 percent wage advantage for members while forcing wage reductions of about 4 percent below market levels for non-union workers.[2] The

1. H. G. Lewis, *Unionism and Relative Wages in the United States: An Empirical Inquiry* (University of Chicago Press, 1963).

2. Milton Friedman, "Some Comments on the Significance of Labor Unions for Economic Policy," in D. M. Wright, ed. *The Impact of the Labor Unions* (New York: A. Kelley, 1966), p. 216. Also, Milton & Rose Friedman, *Free to Choose* (New York: Harcourt Brace Jovanovich, 1980), p. 234.

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relative unemployment effect roughly parallels the wage effect: collective bargaining reduces employment in the union sector about 10-15 percent.[3] Again, the reason is clear: union members tend to price themselves out of jobs and non-members tend to price themselves in.

But what about the economy as a whole? Albert Rees estimated that the impact of unionism on the inter- and intra-industry wage structure has reduced total output approximately .3 percent.[4] However, according to Rees himself, this figure, which F-M characterize as "minuscule," underrepresents the total loss because direct restrictions of output (featherbedding) are not included. Although lacking sufficient data for a numerical estimate, Rees concluded that "losses of this kind – dead weight losses – probably exceed the social losses from relative wage effects."[5] If they were only equal, the direct restrictions would double the loss in the total ouput of the economy to .6 percent which, with a GNP of $2.5 trillion, amounts to a fairly substantial loss of $15 billion.

In contrast to the limited consequences suggested by F-M, Milton Friedman, who apparently was first in cautioning against *exaggeration* of unions' relative wage effect, also warned against dismissing it as "an unimportant effect; the danger of underrating it should be avoided as much as the danger of exaggerating it."[6]

But let us carry the argument another step by considering the British experience. Although the two economies are not duplicates, there are reasonable grounds for comparing our trade union experience with that of Britain. What do we find? Studies of unions' relative wage effects (mostly in manufacturing) range almost to 60 percent in the 1970s.[7] In terms of the loss to the GNP, one estimate placed the figure as high as 3 percent

3. Albert Rees, "The Effects of Unions on Resource Allocation," *Journal of Law and Economics* VI (October 1963), p. 70.
4. Ibid., p. 75.
5. Ibid., pp. 75-76.
6. Milton Friedman, op. cit., p. 216.
7. C. J. Parsley, "Labor Union Effects on Wage Gains: A Survey of Recent Literature," *Journal of Economic Literature* XVIII (March 1980), Table 1b, p. 8; and David Metcalf, "Unions, Incomes Policy and Relative Wages in Britain," *British Journal of Industrial Relations* XV (July 1977), Table 1, p. 160.

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of total British output.[8] It is significant that the share of the private and public labor market unionized in Britain is much higher than in the U.S., so that F-M's low estimate of lost output attributable to unionism, even if accepted without reservation, may only hold true given *present* proportions of the American labor market organized by unions. Thus, increased unionization, which they appear to favor, should lead to further losses in GNP.

Again according to the standard economic view, productivity is reduced by unions unless this effect is offset by more intensive use of capital and employment of better quality labor. F-M contend that, after controlling for the capital-labor ratio and the quality of labor "institutional response factors," then reduced quit rates, stimulation of more efficient managerial methods, and better worker morale raise productivity in some settings. In manufacturing, for instance, they state that productivity is sufficiently increased to offset, roughly, the increase in total costs attributable to higher wages.

However, in describing their empirical results on unions and productivity, F-M are careful to note the existence of statistical problems underlying some of their current studies, problems which limit the generality, and, in some cases, possibly even the validity of the findings. Thus, as they point out, "The effects of unionism on productivity are not universal constants but rather depend on specific industrial relations settings."[9] But do not differences in industrial relations settings undoubtedly contribute to the diverse productivity experience of non-unionized industries – for example, agriculture and the service industries in this country? Both, especially agriculture, are low in unionization, but the agricultural productivity record is outstanding, outstripping all industrial sectors, while productivity in the service sector conspicuously lags. Furthermore, their contention

8. John Burton, "Are Trade Unions a Public Good/Bad?: The Economics of the Closed Shop," *Human Resources Workshop Paper 13*. Kingston Polytechnic, School of Economics and Politics; published under the same title in L. Robbins, (*et. al.*) *Trade Unions: Public Goods or Public Bads?* (London: Institute of Economic Affairs, Readings 17, 1978), p. 10.

9. Richard B. Freeman and James L. Medoff, "The Two Faces of Unionism," *The Public Interest* (Fall, 1979), p. 81.

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about unions and efficiency – that unionization can stimulate increased productivity – appears to show little discernible difference from standard economic analysis absent unions' collective voice: that "if the union has established a relative wage advantage for their members, the unionized firm will respond by altering factor combinations such that the marginal product of labor matches the higher wage."[10]

Yet even if one grants that unions' collective voice lowers employee turnover, and that lower quit rates and other effects may contribute to productivity through greater employee security, what is to be said of the other side of the security blanket? Professor Pencavel presents some of the possibilities this way:

> . . . if management were cognisant of the productivity-augmenting effect of unionism, then we should see more cases of firms actively encouraging the unionisation of their workers. Indeed, if this were the dominant influence, unionised firms would out-compete non-unionised firms. The more typical case is likely to be that the increased security from disagreeable management decisions which unionism tends to obtain for its members induces greater malfeasance on the part of union labor.[11]

Other worker reactions which may ensue are increased absenteeism, an increase in disciplinary problems and in petty grievances. While in the short-run these may not negate unionism's positive effects, their impact may reasonably be expected to weigh in more heavily over time.

The productivity effect of the collective voice put forth by F-M resembles the short-run impact of the minimum wage law. In the short-run, the minimum wage, like unionization, reduces employment, stimulates the productivity of those retained, leads to the hiring of better quality workers, introduces new/more capital, and induces more effective management and personnel policies. But as the minimum is raised, the offsetting opportunities, both in the areas of economic substitution and institutional response, diminish. Such is very likely to be

10. John Pencavel, "The Distributional and Efficiency Effects of Trade Unions in Britain," *British Journal of Industrial Relations*, XV, July 1977, p. 140.

11. Ibid., p. 140

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the case under collective bargaining. In both situations, repeated shocks will be followed by diminished offsets. This is particularly true of personnel practices and managerial reorganization, because these appear to be among the most immediately affected by unionization.[12] Indeed, just as management "may find unionism expensive, difficult, and very threatening in its initial state when models of operation must be altered if efficiency is to be improved,"[13] so unions in the long run, being conservative organizations, can be expected to resist changes in production methods designed to keep the firm competitive.

Based on our evaluation of the empirical data concerning the efficiency effects of unionism, we must conclude that the evidence concerning unionism's alter ego, its collective voice, is, on balance, too preliminary and therefore premature to establish that it countervails the unions' adverse impact on efficiency, particularly in the long run.

Unionism aside for the moment, it must be noted that most of the gains in the standard of living of American workers, historically speaking, occurred when there were few if any unions. Some of the periods of greatest productivity gains, which permitted those improvements, took place in the absence or virtual absence of organized worker representation.

Unions and Income Distribution

According to F-M's collective voice argument, unions reduce inequality amongst organized workers in a given company or industry. This is distinct from standard theory and empirical findings which show that unions *sharpen* inequalities between union and non-union workers. Indeed, in compressing the collectively bargained wage structure, unions create certain perverse inequalities.

(Before proceeding further, the term "wage inequality" begs attention. It is widely used in economic literature to denote simple differences in the size of income received and therefore no pejorative notion should be read into it.)

To return, F-M's recent estimates show reduced wage dis-

12. Kim B. Clark, "Unionization, Management Adjustment and Productivity," Working Paper No. *332*, (Cambridge: National Bureau of Economic Research, 1970), Table 5 and pp. 30 and 32.

13. R. B. Freeman and J. L. Medoff, op. cit., p. 92.

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persion amongst unionized workers in manufacturing and non-manufacturing industries compared to greater wage dispersion among non-union workers. Two union wage policies are identified as responsible for the compression. First is the standard rate and second the unions' preference for the seniority rule in promotion. Collective bargaining has certainly given impetus to job definition for purposes of negotiating and administering wages.

Let us explain further. If coupled with the standard rate, bargaining on an industry or company rather than a skill basis, which predominates in manufacturing and in many non-manufacturing industries, will compress the occupational wage structure. But the reactions of workers to this more egalitarian structure of earnings were not, as might be expected, universally favorable. In fact, so widespread was the dissatisfaction in the years following World War II, that skilled workers in important industrial unions nearly seceded from their organizations. To readjust matters, these workers forced constitutional changes upon their unions requiring separate approval of wage terms by skilled groups. For example, the constitution of the Auto Workers provides,

> Before contract or supplement demands affecting skilled workers are submitted to the employer, they shall be submitted to the Skilled Trades Department in order to effectuate an industry-wide standardization of agreements on wages, hours, apprenticeship programs, journeyman standards and working conditions.[14]

Although the skilled groups have not yet, apparently, recouped their relative losses, it is clear that they do not readily or peacefully accept their union's egalitarian wage policy. Concessions like the constitutional veto given skilled workers by the UAW may stave off secession, but a continuing underlying discontent is likely to remain. As Beatrice and Sidney Webb wrote of industrial bargaining nearly two generations ago, ". . . experience seems to show that in no trade will a well-paid and well-organised but numerically weak section permanently consent to remain in subordination to inferior operatives, which any amalgamation of all sections of a large and varied industry

14. U. A. W. *Constitution of the International Union*, May 1977, Article 19, Sec. 3, p. 40.

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must usually involve."[15]

Aside from creating tensions between unionized skilled and non-skilled workers, other questions arise. Is wage compression advantageous to recruitment and training of skilled workers? Is it helpful to economic development? Does not an egalitarian union wage policy contribute to industrial relocation not only within this country, but outside it, as well?

In addition to fostering perverse inequalities[16] amongst unionized (and represented) workers unions' wage policies create *inequalities* between comparable union and non-union workers, as standard theory suggests. Thus, Sherwin Rosen found that ". . . unionism has widened wage differentials, increasing wage rates of union skilled craftsmen compared to non-union skilled craftsmen" and that taking into account all production workers, unionism has widened the occupational structure for all skill categories.[17] Furthermore, the union – non-union differentials are not constant, but *increase* with the extent of unionism. Incidental to his findings on occupational groups, Dr. Rosen also concluded that unions tend to benefit older and less educated workers to a greater extent than younger and better educated workers.[18] Professors Johnson and Youmans also found that unions benefit less educated rather than better educated workers and younger and older workers more than workers "in the middle of their working lives."[19] These results exemplify other perverse aspects of unions' effects on income distribution.

As for non-comparable occupational wage groups, the reduction of inequality between unorganized white collar workers and organized blue collar workers referred to by F-M should be seen as yet another example of wage distortion suggested by

15. Sidney and Beatrice Webb, *Industrial Democracy* (London: Longmans, Green and Co., 1920), p. 129.

16. Here "inequalities" refers to simple differences. It has no pejorative intent.

17. Sherwin Rosen, "Unionism and the Occupational Wage Structure in the United States," *International Economic Review* XI (June 1970), p. 269.

18. Ibid., p. 284.

19. G. E. Johnson and K. C. Youmans, "Union Relative Wage Effects by Age and Education," *Industrial and Labor Relations Review* XXIV (January 1971), p. 179.

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standard theory. For example, in a recent case, a wage increase negotiated by the Teamsters for individual workers was not matched for the unorganized white collar workers of the same firm. The response of the white collar group made clear that they would not submit to such "egalitarianism" peacefully.[20]

Such results should be surprising. As John Pencavel has pointed out, "As a rough approximation most individuals towards the two tails of the frequency distribution of incomes would not be union workers . . . in which case unions probably act as a slight inequality-increasing factor."[21]

From the perspective of income distribution, unionism's "two faces" would appear to have the worst of both worlds. In the first instance it is clear that unions *do* create wage advantages for their members over non-unionists, thereby undercutting the ground of those who support unions in the belief that they reduce general economic inequality. In the second, their egalitarian wage policies introduce perverse differentials amongst members.

The distribution of income and unions' impact on it may be looked at in a way not considered by F-M. Has collective bargaining altered the shares of income going to labor and property? A thorough analysis of this question by H.G. Johnson and P. Mieszkowski concluded that their results "strongly suggest that most, if not all, of the gains of union labor are made at the expense of non-unionized workers, and not at the expense of earnings on capital."[22] These results "are for a partially unionized economy, and in large measure this distribution of gain and loss occurs because decreases in the level of employment in the union sector depress wages in the non-union sector.[23] Even if unions organize the entire labor market, and assuming (a) that their bargaining power is the same throughout industry, and (b) that they cannot tax away some monopoly profits, "the distribution of income [between labor and capital] will be essentially the same as the distri-

20. *Wall Street Journal*, 23 June 1980, p. 1.
21. John Pencavel, op. cit., p. 146.
22. H. G. Johnson and P. Mieszkowski, "The Effects of Unionization on the Distribution of Income: A General Equilibrium Approach," *The Quarterly Journal of Economics* LXXXIV (November 1970), p. 560.
23. Loc. cit.

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bution in an economy in which unions do not exist."[24]

But what if we assume full unionization of the labor market and unequal bargaining power among unions? In that case, the inequality effect of the unions – their ability to create a wage advantage for employed members vis-a-vis non-members – would be distributed according to their relative bargaining power. As Professor Friedman wrote, universal unionism "would mean strong unions and weak unions, with members of strong unions getting higher wages, as they do now, at the expense of members of weak unions."[25]

The Social Nature of Unions

As F-M point out, collective bargaining does reduce black-white wage differentials. However, unions must at least share the credit with employers and the law of the land. Most workers are hired at the discretion of employers (that is, outside *de facto* closed shops). And under the impact of civil rights developments of the last two decades, employers have hired greater numbers of minority workers. Once employed, many are required to join unions or, as a concession, to pay union dues, under agreements requiring union membership as a condition of employment. Together, increased employment and union shop agreements doubtless explain the proportionately higher participation rate among blacks as opposed to whites in the 1970s, which F-M cite. Once subject to collective bargaining, the law of labor relations requires that all terms and conditions of employment negotiated between unions and employers must apply uniformly to all represented in a bargaining unit, a requirement which probably accounts for much of the reduction in black-white wage ratios.

Although minorities now have greater representation in apprenticeship programs, as F-M note, their membership participation in craft unions remains very low. Indeed, when one compares the record of employers' hiring of blacks with craft unions' admittance of blacks to membership, (and thus to employment), it would appear that management has been far less discriminatory.

24. Ibid., p. 561.
25. M. and R. Friedman, op. cit., p. 234.

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On union democracy, F-M state that "the vast majority of evidence appears to support the voice view that unions are democratic organizations and are responsive to the will of their members."[26] To date, however, a comprehensive assessment of the application of the Labor-Management Reporting and Disclosures Act of 1959 (Landrum-Griffin) which deals with the internal operation of unions has yet to be made. This is not to imply a contrary conclusion to F-M's, but rather that the conclusion is too sweeping given the little that is known to date.[27]

Well before Landrum-Griffin, Will Herberg could write that a union member had less freedom vis-a-vis his union than his employer.[28] It should not be forgotten, therefore, that it took legislation, the Bill of Rights of union members in Landrum-Griffin (which unions strongly opposed), to correct the imbalance. Furthermore, implementation of that law cannot be judged solely on the statistics of elections or officer turnover (mostly at the local level). For example, after an election suspected to be tainted, it is the *individual member* who must initiate action charging a violation of the law or the union's constitution and by-laws. To initiate the process the member must first exhaust the remedies available under the union constitution/by-laws before he/she can file a complaint with the Secretary of Labor. If the Secretary finds probable cause he brings suit in federal court. Given the procedure, the burden on the individual is sufficiently obvious to suggest why many charges may never rise to the level of a statistic.

Similarly, if a union official misappropriates funds and the organization fails to sue, it is up to the individual member to invoke steps to recover the funds. Once again, the expected pecuniary and nonpecuniary costs to the worker may impede this process.

As for decertification elections, which are an indicator of member disaffection, the ratio to total NLRB elections for new

26. R. B. Freeman and J. L. Medoff, op. cit., p. 88.

27. Doris B. McLaughlin and Anita L. W. Shoomaker, *The Landrum – Griffin Act and Union Democracy* (Ann Arbor, Univ. of Michigan Press, 1979), and Janice R. Bellace and Alan Berkowitz, *The Landrum Griffin Act* (Philadelphia, Wharton School, 1979)

28. Will Herberg, "Bureaucracy and Democracy in Labor Unions," *Antioch Review* (Fall 1943), p. 405.

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units *is* small, as F-M point out. However, their *trend* and *growth* are certainly worthy of note. Since they became a possibility under Taft-Hartley, the number of decertification elections rose about ten fold while the number of employees eligible to vote in these elections increased from fewer than 9 thousand in 1948 to over 34 thousand by 1979. Significantly, nearly two-thirds of these elections have resulted in the decertification of the bargaining agent suggesting that "decertification elections potentially entail substantial consequences . . . for the American labor movement."[29] Meanwhile, union wins in representation elections for new units have not been impressive.

Unions are said, too, by F-M to represent the political will of both members and of lower income and disadvantaged persons in general. With regard to members, a recent study on the lobbying function of unions, which relied for its data on the surveys of leading pollsters, showed wide discrepancies between members' preference and AFL-CIO lobbying goals before Congress.[30] The most stunning results were those on union security (compulsory membership) and common situs picketing. In the 1960's the polls revealed close divisions or majorities supporting Federation views, but in the 1970s (1974-77) union members' views swung substantially. Thus, a Roper poll in 1977 of union members found 58 percent supporting Right-to-Work laws, 63 percent endorsing retention of Section 14 (b) of the Taft-Hartley Act, and 64 percent favoring picketing limited to a specific contractor.[31]

The AFL-CIO characterizes holders of these views as "reactionaries" or, when in a milder mood, "conservatives." Obviously, this criticism must include substantial numbers of its affiliates' members, a characterization which must come as a shock to many unionists.

This obvious gap in views between many (often a majority) of AFL-CIO members and the Federation raises another and

29. John C. Anderson, Charles A. O'Reilly III, Gloria Busman, "Union Decertification in the U.S.: 1947-1977," *Industrial Relations* XIX (Winter 1980), p. 100.

30. Dan C. Heldman and Deborah L. Knight, *Unions and Lobbying: The Representation Function*, (Arlington: Foundation for the Advancement of the Public Trust);

31. Ibid., Table T, p. 85.

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possibly even a more serious matter – namely the morality and legality of union expenditures for social political goals, when that support is derived from members' receipts, particularly under agreements with a union shop and dues check-off. It will not be surprising if this becomes a significant area of future litigation, paralleling the issue of compulsory membership itself.

And do unions represent the political will of those on lower incomes in general? They certainly do not represent their economic interests. The minimum wage law is strongly supported by unions. Yet few if any of their members are subject to the law, and it is responsible for considerable unemployment among young people, particularly blacks. Similarly, organized labor's protective support for the Davis-Bacon Act can hardly be interpreted as operating in the interests of all workers. Under the Act, all contractors who work on a job to which the federal government or District of Columbia is a party must pay the "prevailing" wage rates, as determined by the Secretary of Labor. In practice these are usually the union wage scales – which effectively excludes those who would work for less. Furthermore, many states have similar laws, thus widening the scope of the legislation partial to organized labor, especially the construction unions. The effect is to protect union members against non-union competition and, incidentally, to increase unemployment yet again.

Unions 'Third Face'

Unions pursue their objectives by several means and one of the most significant is the political one. We might term this, in the F-M context, the "third face" of unionism.

In general, as we have seen, unions have directed their public power toward increasing state intervention in the labor market and the economy as a whole. In the labor market they have gained legal immunities which have added greatly to their economic power. On occasion, these immunities have benefited employers as well as unions. For example, in the regulated trucking industry the "structure of labor relations and regulations allow the Teamster's Union to act as a cartelizing agent,"[32] to the apparent benefit of existing employers and

32. James F. Hayden, "Collective Bargaining and Cartelization: An

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employees and the detriment of customers. It is a role which anti-trust laws enable unions but not companies to play. Similarly, Professor Friedman cites the example of the United Mine Workers in the 1930s when the union "controlled output and therefore prices with the unspoken cooperation of the industry," and in return the miners received high wages.[33]

Recently, in an effort to stem the ebb of union power in the private sector, unions lobbied vigorously for the Labor Reform Act of 1977. Although it did not become law, would extension of government intervention have accomplished the goal of reversing the unions' decline in the private sector? For reasons that go beyond this paper, it is unlikely that the economic processes which are responsible for the shrinkage of private sector unionism would have been reversed.[34] Eventually there would have been new demands for even more decisive governmental intervention to facilitate organizing the unorganized.

During the past twenty years, while unionism has been undergoing a long-term decline in the private economy, it has climbed dramatically in the public domain. The primary reason has been the active encouragement of public employers (politicians) and the public bureaucracy who see great power in a political alliance with public employee unions. Recently, this alliance encountered the opposition of taxpayers (the Proposition 13 phenomenon), and this may have begun to slow down the fast-growing public employee unions. But a key issue not dealt with by the taxpayer revolt is the shift in constitutional authority which public-employee bargaining has brought with it. Sterling Spero wrote in his article, "It is hard to draw the line between working conditions, a subject concededly within the scope of collective bargaining, and decisions regarding issues of public policy, the constitutional prerogative of executive and legislative authorities tracing their powers to the people."[35] Perhaps a new form of government is being born, one in which the public is largely an onlooker.[36]

The future is almost certainly going to see unions' political

Analysis of Teamster Power in the Regulated Trucking Industry," *Harvard College Economist* II (Winter 1978), p. 9.

33. M. and R. Friedman, op. cit., pp. 241-2.

34. See Leo Troy's op-ed in the *New York Times*, July 22, 1980.

35. Sterling Spero, *Government As Employer* (Carbondale: Southern Illinois University Press, 1972), p. x.

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image, their "third face," become ascendant. Abe Raskin, long a commentator on labor activities, has put it this way: "[Organized] labor's sense of political frustration is deepened by its awareness that the crucial determination affecting workers in the 1980s will be made in the political arena much more than they are at the bargaining table or on the picket line.[37]

Although unions will not reduce their collective bargaining activities, and are unlikely to form a Labor Party, their political involvement can be expected to increase sharply. Among the areas to which they can be expected to direct their political efforts are rebuilding their power bases through increased membership; cooperation with corporations affected most by international competition; and political alliances to further expand the welfare state. All will entail increased government intervention in the labor market, the economy, and the social order. Can these really be said to be in the interests of union members, non-unionized workers, the business community, or the public at large?

36. It is interesting to note that the broadest sweep of union power directed toward state intervention has been its role in the inflationary process – something not discussed by Professor Freeman and Medoff.

37. A. Raskin, "Labor Movement May Come Out of Downhill Slide," *The Indianapolis Star*, May 25, 1980.

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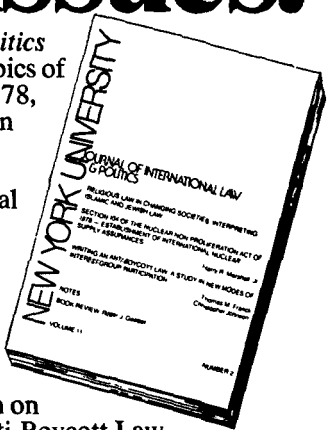

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N.H.S.: An Ill for All Cures

JOHN C. GOODMAN

One of the most significant political events of 1979 was the defeat of the Carter Administration's hospital cost containment bill. The event was significant not because the defeat settled the issue once and for all – the struggle will surely continue in future sessions of Congress – but because the Congressional fight over hospital cost containment gave Americans a picture-window view of what happens when politicians, rather than doctors and patients, make the key decisions in the medical marketplace.

The Carter forces realized early on that their cost containment bill did not have a ghost of a chance without the support of organized labor. So the original proposal was modified to exempt wages for hospital workers, even though wages and salaries account for about two-thirds of hospital costs. Further modification exempted nine states that already had state cost-control legislation. Was that because the state legislation was working so well? No. These states have some of the highest hospital costs in the country. But the Administration desperately needed the votes of Congressional representatives from these states in order to get its bill through Congress.

Before the bill could go to the floor of the House of Representatives, however, it had to get out of the House Commerce Committee. That required the vote of a Congressman from Illinois. So a special provision was added that did little more than exempt the state of Illinois. The Administration also needed the vote of a committee member from Houston, a city with a number of famous teaching hospitals. That problem was solved by exempting teaching expenses from coverage under the bill.

Just when it looked as if there was clear sailing ahead, the Administration ran into another difficulty: the problem of federal hospitals. One of the arguments against hospital cost containment is that it will reduce the quality of care that patients receive. While that might be all right for ordinary citizens, for Congressmen, who ordinarily receive medical

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treatment at federal hospitals, it simply would not do. So yet another provision was added. The Administration agreed to exempt all federal hospitals, even though costs in these hospitals have been growing at a faster pace than elsewhere.

The Political Marketplace

This sort of political wheeling and dealing is as American as motherhood and apple pie. It is not unique to our country, however. In every country where health care decisions are made by politicians and bureaucrats, political pressures loom large in the process by which those decisions are made. A recent study of the British National Health Service, for example, found evidence that health care spending is higher in those political districts where the vote is predicted to be close in the next general election.[1] A study of Canadian national health insurance identified a long-run trend roward redistribution of resources away from the poor and toward the middle class.[2] This trend was attributed to the greater political influence of middle-class voters. In over thirty years of operation, the British National Health Service has failed to make significant progress toward its announced goal of achieving equality of access to health care for all social classes. This failure has also been explained by reference to the political pressures faced by government officials.[3]

One of the most fascinating developments in the discipline of economics today is the study of the behavior of government. What we are beginning to discover is that regulated markets have a logic all their own. Just as we can use the tools of supply and demand to explain – sometimes predict – what will happen in the private marketplace, so we can use a different set of tools to explain and predict the behavior of regulated markets.

How does this work in the field of medicine? The studies mentioned above provide some examples. But the most dramatic discovery about the politics of medicine is summarized by the

1. Cotton Lindsay, *National Health Issues: The British Experience* (Nutley, New Jersey: Roche Laboratories, 1980), pp. 92-102.
2. Cotton Lindsay, *Canadian National Health Insurance: Lessons for the United States* (Nutley, New Jersey: Roche Laboratories, 1978).
3. John Goodman, *National Health Care in Great Britain: Lessons for the U.S.A.* (Dallas: The Fisher Institute, 1980), Ch. 10.

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following thesis: *When medical care becomes nationalized, government decision makers find that they have a reduced incentive to spend money to save lives and cure diseases and an increased incentive to spend money in ways which have a marginal effect on health (and perhaps no effect at all), but which make a large number of people more comfortable.*

In other words, the substitution of the political marketplace for the economic marketplace produces a distortion in spending priorities. Medical techniques which can save the lives and cure the diseases of the few tend to take a back seat to services which increase the comfort of the many. Once the health care system becomes nationalized, politicians soon find that there is very little political reward in spending additional money on what has been traditionally considered "health care."

Some of the most striking examples of this thesis may be found in Britain. Partly because the British National Health Service (NHS) has been in operation for over 30 years, and partly because of the British penchant for collecting data, more is known about the British system than the health care systems of other countries. After summarizing the evidence from Britain[4] and some additional evidence of similar trends in other countries, I will offer an explanation of why the thesis tends to be true.

Emergency, Home, and Hospital Care

In 1976, there were 21.7 million ambulance journeys in England. That is almost one ambulance trip for every two people in the country. Yet only 1.5 million of these journeys pertained to genuine medical emergencies. The great bulk of ambulance rides (over 93 percent) has been described as little more than a free "taxi service."

When a real emergency (such as a heart attack or stroke) does occur, however, the ambulance service is poorly equipped to deal with it. NHS ambulances rarely contain a paramedic or an emergency medical technician. Very few ambulances have radio links with hospital doctors or sophisticated emergency care equipment. Not only is the ambulance service notoriously slow in responding to real medical emergencies, but whole

4. The following information, unless otherwise noted, is taken from Goodman, *National Health Care in Great Britain.*

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areas of south east England, South Wales, and Scotland are largely without any emergency care facilities. The British ambulance, then, is great as a surrogate taxi, but lousy for genuine medical emergencies.

Most Americans are amazed to learn that British general practitioners make house calls. Even if the visits are often made by young doctors acting as substitutes for the general practitioner, the service sounds attractive to citizens of a country where home visits are almost extinct. While I do not have exact statistics, I would guess that British GPs may make as many as 1.75 million house calls annually at a total cost (to the NHS) which may run as high as $60 million.

For the kinds of services most American patients expect from their family doctor, however, British general practitioner service is woefully inadequate. In contrast with their American counterparts, most British GPs have few instruments beyond a stethoscope and blood pressure cuffs, and often must send their patients to the hospital for chest X-rays and simple blood tests. Moreover, even if the British GP were able to offer more extensive services to his patients, he does not have the time to do so. The average time spent with the doctor is less than five minutes in Britain, compared with twelve to thirteen minutes in the U.S.

Despite the high hopes of its founders that the NHS would encourage preventive treatment when health care was made free at the point of consumption, the level of preventive medical care in Britain is strikingly low by American standards. Within the NHS, the general "checkup" is virtually unknown. Only 8 percent of all eligible women in Britain receive an annual PAP smear. (The U.S. rate is six times that high.) Even the government-sanctioned Merrison Report expressed alarm over vaccination rates for children. Over the last decade, there has been a decline in the vaccination rate for every major childhood disease.

Typical of an American doctor's reaction to these apparent priorities are the comments of Dr. Nicholas Krikes, President of the California Medical Association, and a recent visitor to England. Dr. Krikes writes, "In this town of Wycombe, – with no appreciable slums, excellent light industry and in general a very beautiful town – there were 245 cases of measles last year. If we had 245 cases of measles in my city, which has three times the population of Wycombe, there would be considerable con-

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sternation and corrective effort."[5]

The British record on preventive medicine may be partly due to a difference in attitude between British and American patients. But the more fundamental reason, as in the case of the ambulance service, relates to NHS priorities. Although the NHS may spend as much as $60 million on house calls, it refuses to furnish GPs with the equipment most American doctors have and gives GPs weak financial incentives to purchase equipment on their own. GPs also have weak financial incentives to offer many of the preventive services that they are capable of performing. British doctors, for example, rarely give their female patients PAP smears or breast checks unless the patients insist on the treatment. As a consequence, the mortality rate for cervical cancer among middle-aged women is almost 50 percent higher in Britain than it is in the U.S. The British mortality rate for breast cancer is over 25 percent higher than it is in the U.S.

Spending priorities in the British hospital sector were vividly summarized by economist Mary-Ann Rozbicki after a visit to a new hospital which recently opened in York. Mrs. Rozbicki found that the hospital compared very favorably with American hospitals for services rendered to non-acute patients. The hospital featured a complete gymnasium with a full-time therapist; a hydrotherapy unit with pool and mechanical lifting/dipping device; a job-oriented industrial machine unit; handicrafts and other occupational therapy equipment; and a complete kitchen for self-help orientation. Yet despite the fact that the hospital contained a coronary care unit, *there was not one fully trained cardiological specialist on the hospital staff.*

Nor is this example unique. Mrs. Rozbicki writes. "In the East Anglican Region, 1974 data show that, of the 2.67 acute beds available per 1,000 population, only 0.02 were earmarked for cardiology (the same as for dermatology and less than for plastic surgery). Moreover, the number was that high only because of the availability in Cambridge District hospitals; no beds were earmarked for cardiological patients in the entire

5. Nicholas Krikes, "Myths of the British National Health Service: An Eyewitness Account," reprinted in *Vital Speeches*, February 1, 1978, p. 246.

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Norfolk and Suffolk areas nor in the Peterborough District of Cambridgeshire."[6] Heart disease, incidentally, is the second leading cause of days of incapacity and the leading cause of death in Britain.

Another indication of priorities in the hospital sector is the fact that while large numbers of patients with life-threatening conditions cannot gain immediate entrance into British hospitals, many of the beds earmarked for acute care are filled with patients whose presence in the hospital is medically unnecessary. In 1977, there were 40,000 "urgent" patients on hospital waiting lists while 25 percent of all acute beds were occupied by chronic patients who theoretically should not have been there!

Caring vs. Curing

The most dramatic contrasts between the caring and curing functions of the NHS occur not within the various branches of the health service, but between them. Take the contrast between general practitioner services and the services of specialists. About 17 percent of all American physicians are general practitioners. In Britain, the percentage of general practitioners is about three times that high. Moreover, in the U.S. the average patient sees his GP about once every year, compared with four visits per year in Britain. In both countries the majority of GP visits pertain to conditions which are medically trivial, and in these cases the GP does little more than offer comfort and reassurance. But Britain is clearly devoting a far greater proportion of its resources to this kind of care. In return, British patients pay a price: there are widespread shortages of specialists throughout the country. Many surgical specialties are found only in regional or teaching hospitals. Patients often have to travel a considerable distance for relatively unsophisticated treatment — provided they can travel and can gain admission.

Or consider the contrast between the community health sector and the hospital sector. In 1976, nearly eight million house calls were made by home nurses and health visitors in Great Britain. Eight million is the equivalent of 14 percent of

6. Mary-Ann Rozbicki, *Rationing British Health Care: The Cost-Benefit Approach*, Executive Seminar in National and International Affairs, U.S. Department of State, April, 1978, p. 12.

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the British population, perhaps one-half of all British households. In addition, over 1.3 million visits were made to patients' homes by chiropodists. About 172,000 people were served in their homes by the "meals on wheels" program, and approximately 653,000 elderly and handicapped people received "home help service" for house alterations, personal appliances (telephones, televisions and radios), and other arrangements that permit them to live at home.

If community health services seem lavish by American standards, hospital services seem skimpy. Over 750,000 people are now waiting to enter British hospitals. As noted above, over 40,000 of these are classified as "urgent," and the British press and medical journals are filled with horror stories of patients dying because they were not promptly admitted and treated for their conditions. Moreover, many of the "non-urgent" cases wait for years in constant pain and many others wait at considerable personal risk. In the Liverpool-Wellington area, for example, children in need of hole-in-the-heart operations face a two to three year wait – a wait which doctors believe may jeopardize their chance of survival.

Despite this fact, there are *fewer* hospital beds in Britain today than there were when the NHS was started. Moreover, the hospitals that house them are often outmoded, ill-equipped, and understaffed. Over 50 percent of all beds are in buildings built before the turn of the century. These are buildings that one British health economist has described as "obsolete" and "offering facilities in many respects more akin to a railway station than a place for the ailing."[7]

If the NHS has failed to maintain the quality of its buildings, it has done little more to maintain the quality of its medical staff. Britain is losing many of its best doctors to foreign countries and to the private sector. The annual number of emigrant doctors equals about 15 percent of each year's graduating class from British medical schools. About 66 percent of all hospital specialists have a private practice and work only part time for the NHS. These doctors have been replaced by immigrant doctors from countries like India and Nigeria. About 30 percent of all hospital doctors are foreign-born. While British

7. Michael Cooper, *Rationing Health Care* (New York: Halsted Press, 1975), pp. 40-41.

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doctors are well trained, there is considerable doubt about the quality of their replacements. When a qualifying test was administered to foreign-born doctors during the first six months of 1975, two-thirds of those taking the exam failed it.

Equally startling is the contrast between the amount of money spent on family practitioner committee services and the amount spent on modern medical technology. In 1976, the NHS spent over $54.6 million subsidizing dentures. It spent $48 million giving people "free" eyesight tests. In 1975 it spent almost $9 million subsidizing contraceptives, over $12 million on sleeping pills, almost $17.8 million on tranquilizers and sedatives, $11 million on cough medicine, almost $4 million on vitamins, and millions more on bandaids, cotton wool, and items of comparable medical importance. These numbers appear especially incredible when it is realized that up to one-third of all patients do not take the prescriptions they receive.

Yet in 1975 and in 1976 up to 8,100 kidney patients may have died because the NHS refused to provide them with renal dialysis.[8] Pacemakers in Britain are in shorter supply than dialysis machines. There are numerous stories of children being denied critical care because of a shortage of intensive care units in which to treat them. There are estimates that as many as fifty people die in Merseyside each year for lack of open heart surgery. Many hemophilic children are denied treatment with Factor VIII, which prevents pain from hemorrhage into their joints. And, for some conditions (such as spina bifida), most children are simply allowed to die because the cost of treatment is judged to be too high.

In the U.S., more heart transplants are performed every nine months at Stanford University Medical Center than have been performed in Britain in the last decade. As far as I can determine, in 1976 there were more CAT scanners in Houston, Texas (population: about one million) than there were in all of Britain (population: about 54 million) — despite the fact that Britain pioneered scanner technology. Moreover, recent improvements in this area are largely due to the public, not

8. This figure assumes that there are 150 new potential patients each year per million population. In 1975, the N.H.S. was treating 15.1 patients per million population. The 1978-79 rate was expected to be 25 per million.

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the NHS decision makers. Of the twenty full-body scanners in use in 1979, half were donated to the NHS by individuals and private charitable organizations.

In order to put the magnitude of these contrasts into some perspective, I have made some back-of-the-envelope computations to show what kinds of budget choices are being made by the NHS. Suppose, for a moment, that the NHS decided to end its free taxi service and, as a consequence, cut its ambulance budget by 93 percent. What could be done with these resources?

After sacrificing its taxi service, the NHS could begin by providing dialysis or kidney transplants for every eligible patient (cost: $10,000 per patient). It could furnish every major hospital in the country with a CAT scanner, and achieve the same number of scanners per capita (about 250 total) as exists in the U.S. This move, incidentally, would save hundred, perhaps thousands, of additional lives. After all of this the NHS would still have enough money left over to double the amount spent on the emergency ambulances — to provide them with more equipment and better trained personnel.

These same results could also be achieved by deciding to discontinue "free" GP house calls, "free" eyesight tests, and "free" contraceptives and subsidies for dentures. They could also be achieved by requiring patients to pay a larger proportion of the cost of the drug prescriptions they receive. Yet decisions such as these are not even seriously considered within the NHS.

Evidence from Other Countries

Is Britain's experience with national health insurance unique? Evidence from other countries suggests that it is not. Table 1 shows the experience of five countries which are very similar in terms of per capita health care spending. In 1976, for example, these countries spent, on the average, about $577 per person on health care. Moreover, the differences in per capita spending among these countries did not exceed $65 that year. (The United States, incidentally, did not have the highest spending total — both Germany and Denmark spent slightly more than we did).

Although these five countries are very similar in terms of amounts spent on health care, there are important differences among them in the way their health care systems are organized. In 1974, for example, 40.5 percent of all health care spending

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in the United States was done by the government. Among the other four countries, however, the fraction of health care spending done by the government averaged 81.7 percent — about twice as high as in the U.S.

There are also important differences among these countries in the degree to which they take advantage of modern medical technology. As Table 1 shows, the number of CAT scanners per capita in the U.S. is three times as high as it is in the other countries. The fraction of physicians engaged in specialized practice is 74 percent higher in the U.S. than it is in the other countries. The number of kidney patients being treated by dialysis or by transplant is about 33 percent higher in the U.S. than the average for the other countries.

The evidence, then, indicates that the U.S., with a large private medical care sector, devotes more of its health care resources to kinds of equipment and services which are known to have important effects on the health of patients. Is this difference in spending priorities reflected in population mortality rates? One of the difficulties in comparing international mortality rates is that environmental conditions and life style are far more important causes of death than the lack of medical intervention. Heart disease, for example, is the leading cause of death in most industrialized countries. Yet we are probably far more likely to die of heart disease because of how much we smoke, drink, and exercise and because of the type of food we eat than by anything the doctors and the hospitals are likely to do. Similarly, most experts now agree that differences in infant mortality both among and within industrialized countries reflect differences in lifestyle far more than they reflect differences in the quality of medical care administered.

To zero-in on the effects of medical care on mortality, therefore, it is necessary to focus on diseases for which lifestyle and environment are likely to be unimportant factors and for which medical intervention is known to make a real difference. Spina bifida is one such disease. Thought to be genetically caused, this disease attacks the spinal column in young children. Although we do not know how to cure it, the technology exists to substantially prolong the life of its victims while scientists search for a cure. Congenital anomalies of the heart is another example. New surgical techniques have substantially improved our ability to increase the survival rate for infants who are afflicted with this disease. Cervical cancer may have environmental causes, but

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TABLE 1

SPENDING PRIORITIES: INTERNATIONAL EVIDENCE

Country	Fraction of Health Care Spending Done by the Government 1974 (or near date) (1)	Number of CAT Scanners Per Million Population 1978 (2)	Percentage of Physicians in Specialized Practice, 1971 (3)	Patients Being Treated by Dialysis or With a Functioning Kidney Transplant Per Million Population December 31, 1975 (4)
1. USA	40.5%	4.6	75.0%	120.0
2. Canada	75.0	NA	50.7	73.4
3. W. Germany	77.6	1.5	41.8	87.7
4. Norway	84.1	1.5	40.0	67.4
5. Denmark	90.0	.6	NA	132.4
USA	40.5%	4.6	75.0%	120.0
Average for other countries	81.7	1.2	43.2	90.2

1/- Source: Organization for Economic Co-operation and Development, *Public Expenditure on Health* (Paris: OECD, 1977), Table I, p. 10.
2/ Information compiled by Department of Health, Education and Welfare.
3/ Source: Joseph P. Newhouse and George A. Goldberg, *Allocation of Resources in Medical Care from an Economic Viewpoint* (Santa Monica, California: The Rand Corporation, 1976), Table 6, p. 23.
4/ Source: Office of Health Economics, *Renal Failure: A Priority in Health?* (London: OHE, 1978), Table 7, p. 30.

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TABLE 2

MORTALITY RATES, 1976[1]

Country	Cervical Cancer (Age:35-44)	Cervical Cancer (Age: 45-54)	Spina Bifida (Age: 0-1)	Congenital Anomalies of the Heart (Age: 0-1)
USA	4.9	9.2	10.7	90.8
Canada	4.0	7.8	35.7	93.4
W. Germany	5.2	11.8	18.0	139.8
Norway	5.0	13.1	27.5	112.0
Denmark	8.1	22.9	9.7	129.3
USA	4.9	9.2	10.7	90.8
Average for other countries	5.6	13.9	22.7	118.6

1. Number of deaths per 100,000 population in the relevant age group.

Source: World Health Organization, *World Health Statistics Annual*, 1979 (Geneva, Switzerland: World Health Organization, 1979).

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the technology exists to virtually eliminate death from this cause through early detection techniques plus surgery.

As Table 2 indicates, differences in mortality rates for these three diseases among the five countries is substantial. The death rate for cervical cancer in middle-aged women in the other four countries is from 14 to 51 percent higher than it is in the U.S. The death rate for congenital anomalies of the heart is 31 percent higher than it is in the U.S. For spina bifida, the average mortality rate in the other four countries is over twice as high as it is in the U.S.

The relationship between national health insurance and the quality of medical care received by patients is not a perfect one. Denmark, for example, has a higher treatment rate for kidney patients than the U.S. does. Canada has a lower mortality rate for cervical cancer than the U.S. does, and Denmark's mortality rate for spina bifida is lower than ours. Nonetheless, Tables 1 and 2 identify a clear pattern: Across a broad range of indicators, there is a strong and persistent tendency for the quality of health care to be lower in those countries where government intervention is much greater than in our own country.

Why does this tendency prevail? A general explanation is that politicians allocate resources very differently than the free market does. In the marketplace, there is a tendency (which is sometimes far from perfect) to allocate resources on the basis of *economic costs* and *economic benefits*. Politicians, on the other hand, tend to make decisions on the basis of *political costs* and *political benefits*. They do so not because they prefer it, but because competition for political office forces them to do so.

In weighing the decision to spend additional money on CAT scanners or whether to spend the same money on GP house calls, the marketplace reflects the subjective valuation of literally millions of consumers. What counts in the market is not the number of people preferring a particular service, but the price they are willing to pay. In the political sector, however, what counts is sheer numbers, not the true economic value of the services involved.

Space does not permit a complete analysis of this principle, and I have elaborated on it elsewhere.[9] Nonetheless, all of the

9. See Goodman, *National Health Care in Great Britain*, Ch. 10.

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evidence I have seen so far confirms its general application. There is every reason to believe that if the U.S. continues down the road to greater government involvement in health care, it is the health of the patients that will suffer.

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Sick Man of the West

PAUL JOHNSON

Although public attention has been focused on the current short-term recession, what ought to be worrying Americans is the long-term performance of the economy. It now has many of the characteristics of the British economy: slow growth; slow or nil growth in productivity; decline in savings and research and development investment; record trade deficits; record interest rates; record inflation; high structural unemployment; expansion of the permanent non-productive sector and steady rise in government spending as a proportion of GNP; a declining share in world trade.

In addition, the United States has a handicap from which Britain at present does not suffer: a weak currency. This reflects a marked and continuous deterioration in the U.S. trading position. Until 1971, the U.S. had run a trading surplus for 50 years. Since then it has been in deficit; indeed since December 1975, the U.S. has run a consecutive monthly trade deficit, which in the first quarter of 1980 was $13,490 million.[1] This is largely accounted for by the radical expansion of the U.S. trading deficit in fuel and energy, which is approaching an annual rate of $100,000 million, over 30 percent of all imports. The U.S. maintains a healthy surplus in agricultural exports, now about $20,000 million a year, and rising. What is more significant, however, is that the U.S. export surplus in manufactured goods can no longer make up the deficit caused by energy imports.[2]

This comparative U.S. failure in manufacturing exports is reflected in the declining U.S. share of free world trade, which

1. U.S. Department of Commerce, Mrs. Courtenay Slater, Department's Chief Economist, expects the 1980 deficit to be higher than 1979's $37,310 million.

2. L.R. Klein, "America's Competitive Position," Paper delivered at Harvard Conference on U.S. Competitiveness, April 25, 1980.

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dropped from 18.2 percent in 1960 to 12.3 percent in 1979. During this same period, West Germany's share increased from 10.1 to 12 percent, and Japan's from 3.6 to 7.0 percent.[3] At the same time, foreign manufactured goods have been invading the U.S. domestic market in ever-growing quantities. In 1979, car imports took over 22 percent of the U.S. domestic market, and the latest figure I have before me shows they are now running at 27.2 percent.[4]

U.S. industry is meeting increasing, and in some cases insuperable, competition at the high-technology end of the manufacturing range. The first nuclear fusion test reactor will contain many parts made in Germany and Japan, as a result of competitive bidding and reliability tests. To give one of many examples, U.S. performance in the key area of semi-conductors has been disappointing. Tests on 16-K RAMs carried out by Data Systems Division of Hewlett-Packard Co., showed that of 300,000 of these semi-conductors tested (half from three U.S. and half from three Japanese suppliers), the failure rate in the best Japanese product was only one-sixth of the best U.S. product; the failure rate of the worst Japanese product was only 1/27th that of the worst American product.[5]

The American economy, which at the time of writing is running at an annual rate of $2,459,000 million, is still by far the largest in the world.[6] But in per capita income the Americans have already fallen behind the Swiss, the Swedes and the Germans (not counting certain Arab oil powers), and in the 1980s are likely to be overtaken by the Japanese and possibly by the French.[7]

Some indication of the relative U.S. decline in world industrial leadership is provided by comparing its performance and capacity with Japan's.[8] With a population less than half the

3. U.S. Department of Commerce, see Mark Shepherd Jr., "The Corporation within the Competitive Environment," Harvard Conference, April 25, 1980.

4. "Auto Sales Statistics," *Wall Street Journal*, May 7, 1980.

5. *Washington Post*, April 24, 1980.

6. *U.S. Department of Commerce News*, February 20, 1980. Figure based on Fourth Quarter, 1979.

7. Central Intelligence Agency, *Handbook of Economic Statistics 1979*, Washington, D.C.

8. Ezra F. Vogel, "The Challenge from Japan," Harvard Conference, April 25, 1980.

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size of the U.S., Japan now has steel plants with about the same capacity as America's. In 1979, Japan produced about 10 million cars, roughly the same as the U.S., and exported half of them (it is now producing well over 900,000 cars a month). Its GNP is more than 50 percent of America's and per capita output is roughly the same. In 1978, Japan's absolute investment in new plant and equipment was approximately the same as America's, but twice as big per capita. If Japanese and U.S. growth-rate trends continue, Japan will soon be investing more in absolute terms. Its personal savings rate has been running at 20 percent a year, while America's has been falling from 6 to 4 percent. The proportion of GNP going into research and development (R&D) has been falling in the U.S. and rising rapidly in Japan. While the U.S. still spends, in absolute terms, more on R&D than Japan, Japanese R&D is concentrated in areas likely to count most in industrial competitiveness. All the indications are that by the end of the 1980s Japan will have a larger industrial economy than the U.S., and in many respects a more advanced one.

Concern in the U.S. has rightly centered on the rate of productivity growth. In the decade 1967-77, U.S. productivity in manufacturing industry grew by only 27 percent, roughly the same as the U.K. The corresponding figure for West Germany was 70 percent, for France 72 percent, for Japan 107 percent. A significant downturn in U.S. productivity growth appears to have occurred quite suddenly in the mid-1970s. In the quarter-century up to 1973, U.S. productivity growth averaged 2.4 percent annually. Then in the next three years it dropped by a total of 5.6 percent. There was in fact a *minus* growth-rate in the four years 1973-1976, and while growth resumed in 1977-78, it did no more than regain the 1973 productivity rate. Productivity fell throughout 1979 and again in the first quarter of 1980.[9]

Considerable efforts have been made to discover why this happened. Examination of U.S. industrial R&D as a percentage of GNP shows that research investment fell from about 2.1 percent in the 1960s to about 1.6 percent in the 1970s, a drop

9. The figure-series is NIPPE (National Income Per Person Employed); Edward F. Denison: "Explanations of Declining Productivity Growth." *Survey of Current Business, Part Two, August 1979,* U.S. Department of Commerce; *Wall Street Journal,* 29 May 1980.

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occasioned largely by a decline in government financed research and development.[10] But this change in itself does not explain either the extent or the timing of the decline in productivity growth.

Last autumn, Professor Edward Denison published an exhaustive analysis of the productivity phenomenon carried out on behalf of the U.S. Department of Commerce.[11] He examined 17 suggested causes of the decline. Most of these he rejected. The real causes he limited to four: the rise in energy prices, but with an impact limited to 0.1 percent in minus productivity growth; the decline in research, again with a small statistical impact; inflation; and the effect of government regulation of business. Dr. Denison was unable to quantify the impact of the last two factors.

The result of the Denison analysis is to suggest that U.S. poor productivity performance is, in large part, due to political causes: failure to control the money supply, a rise in the tax burden, and excessive government intervention. The tax burden rose from 33 percent of the national income in 1966 to 39.2 percent in 1978; in the same period, consumption by government of national resources rose from 34 to 41 percent.[12] Government regulation of business increased still more dramatically.

The Adversary Economy

Excessive and increasing government regulation is, in my view, the decisive factor which is peculiar to the U.S. economy and the principal remediable cause of the poor U.S. performance. It is, in fact, the American equivalent of Britain's "trade union disease," and is beginning to have a comparable effect on U.S. productivity.

Government regulation of business is an old phenomenon in the U.S., dating from before 1914. But during the 1960s, and

10. "U.S. Industrial R&D as a Percentage of GNP," *National Science Foundation.*

11. Denison, *op. cit*; see also his *Accounting for Slower Economic Growth: The United States in the 1970s*, Brookings Institution, Washington, D.C., 1980.

12. Tax Reductions; Economists Comment on HR 8333 and S 1860, House Committee on Ways and Means, 95th Congress, 2nd Session, GPO 1978, p85.

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still more in the 1970s, under the impact of anti-pollution and anti-hazard agitation, the scope and intensity of government regulation enormously increased. Congress passed a series of Acts, such as the Toxic Substance Control Act, the Occupational Health and Safety Act, the Clean Air Amendments Act, the Environmental Protection Act, various Food and Drug Acts, and amending acts to existing regulatory statutes, which collectively represent an attempt to create a new kind of environmental utopia (sometimes referred to by its proponents as "Ecotopia").

The regulatory process begins with the Act, often written by environmental and safety pressure groups, which lays down absolute objectives (i.e., rivers and lakes with nil pollution, workplaces wholly hazard-free) and without reference to the cost of implementation. Enforcement, by Presidential executive order, is then entrusted to existing federal agencies or new ones specially created for the purpose, often directed and staffed by people recruited from the pressure groups concerned. The agencies then proceed to enact detailed regulations, as empowered by the statutes, and issue them to businesses with specific deadlines for compliance. These regulations, again, are compiled without cost-benefit analysis and irrespective of the financial burden of compliance. The deadlines are fierce and the new regulations are enforced with draconian severity and under penalty of huge fines and terms of imprisonment.

The impact of this new type of utopian legislation was first felt by U.S. industry during the late 1960s and the 1970s, especially in the second half of the decade. Dr. Denison, in another study, estimated that in 1975 business productivity was 1.4 percent lower than otherwise, as a result of the cost of meeting government pollution and job-safety regulations.[14] (This is equivalent to a loss of $20,000 million in the annual level of GNP.) In some cases it is possible to quantify more or less exactly the impact of a particular piece of legislation. Thus, in 1969, production in the U.S. coal industry, which had risen

13. Murray L. Weidenbaum, *The Future of Business Regulation*, New York, Amacon 1979.

14. Edward F. Denison, "Effect of Selected Changes in the Institutional and Human Environment Upon Output per Unit of Input," *Survey of Current Business, January 1978*, U.S. Department of Commerce.

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continually during the previous seven years, stood at 19.9 tons per worker per day. By 1976, when the full effects of the 1969 Coal Mine Health and Safety Act had been felt, it had fallen to 13.6 tons, a decline of 32 percent.[15]

It has not yet proved possible to quantify the total cost of government regulation of business, which is rising all the time, though a number of studies are being conducted. In 1976, an estimate put the total annual cost at about $66,000 million – that is, a cost of $3,000 million to the taxpayer to maintain the federal agencies, and $63,000 million to business to carry out their requirements.[16] In general, studies show that for every dollar Congress allocates to the regulatory agencies, business has to spend $20 on compliance. Using this method of computation, it is estimated that total costs rose to approximately $102,700 million in 1979.[17]

The heaviest costs, however, are still to come as federal agencies work out and publish regulations and standards implicit in legislation already passed into law and "in the pipeline." These include the Toxic Substance Control Act, which will have a dramatic effect on the chemical industry, the Environmental Protection Act, the 1977 Clean Air Amendments, the new National Highway Traffic Safety regulations, the General Carcinogen Proposal of the Occupational Health and Safety Act and other measures.[18]

The cost of some of these "absolutist" measures will be staggering. The Federal Water Pollution Control Amendments of 1972 lay down the objective of "zero discharge" of pollutants into U.S. rivers and lakes by 1985, and "interim standards" by 1983. The cost just of meeting the latter has been estimated at $468,000 million.[19] Again, the Occupational Safety and Health

15. Murray L. Weidenbaum, *Government Power and Business Performance*, Hoover Institution, Stanford, 1980.

16. Robert DeFina, *Public and Private Expenditures for Federal Regulation of Business*, Center for the Study of American Business, Washington University, St. Louis, 1977.

17. Weidenbaum, *op cit*, 207.

18. American Enterprise Institute Special Analyses, *Major Regulatory Initiatives During 1979*, Washington, D.C., 1980.

19. Allen V. Knees and Charles L. Schultze, *Pollution, Prices and Public Policy*, Brookings, Washington D.C. 1975, p. 70; but see *Cost Estimates for Construction of Publicly-owned Wastewater Treatment*

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Administration has already designated between 1,500 and 2,000 chemical and other substances as "suspect carcinogens." On the small number for which OSHA has already proposed regulations, the expected average annual cost of compliance will be $96 million each. If costs this high are extrapolated to cover 1,500 carcinogens, the U.S. would spend astronomical sums a year on this category of hazard alone.[20] Assuming the machinery of regulation continues unchecked, the cost to business and the public in just these two areas – water pollution and carcinogen control – would rise in the 1980s to absorb roughly one-tenth of the nation's entire GNP.[21] That, of course, is an absurd figure and indicates that enforcement of such utopian legislation is impracticable. Nevertheless, it is the law of the land, and although compromises on these and other regulations will have to be reached, the cost even of such half-measures is certain to be huge.

Indirect Damage of Regulation

There are, in addition, other economic consequences of the new regulations, which in many respects are still more serious. There is, to begin with, the impact on inflation. In 1978, there was approximately $666-worth of government-mandated safety and environment control equipment in a typical U.S. passenger car. The same year, regulatory costs built into a new house added up to $2,000.[23] An estimate coming from, of all places, the White House, put the total cost of regulatory compliance to the average U.S. family at just over $2,000 a year. In short, regulation was a serious inflationary element during the second half of the 1970s.

Facilities, 1976 Need Survey, published by the Environmental Protection Agency, February 1977, which put the cost at $150,000 million by scaling down standards.

20. Martin J. Bailey, *Reducing Risks to Life: Measurement of the Benefits*, Washington D.C., 1980, pp 13-14 and footnote 13.

21 Bailey, *ibid*, p. 14; see also Murray L. Weidenbaum and Robert DeFina, *The Cost of Federal Regulation of Economic Activity*, Washington , D.C., 1978.

22. Weidenbaum, *Government Power and Business Performance*, 199 ff.

23. *The Costs of Government Regulation of Business*, study for Congressional Joint Economic Committee, Washington, D.C. GPO, 1978, pp 2-3.

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Then there is the effect on management. Business surveys indicate that executives are forced to spend an expanding proportion of their time on meeting government requirements, and on "external relations" generally.[24] A growing proportion of corporation resources and executive time is devoted to litigation (the U.S. now has four times as many lawyers per capita as West Germany, twenty times as many as Japan).[25] The executive structure of a typical U.S. corporation is beginning to acquire the same "profile" as the U.S. government, as business appoints more and more executives to "shadow" federal agencies. A big corporation now resembles a quasi-elective social institution rather than an organization geared to maximize production and profit. At the board room level, engineers, technocrats, salesmen and leaders are being replaced by lawyers, especially those with experience in handling government.

Next there is the impact on research and investment. A rising proportion of corporate research and development budgets is being shifted to so-called defensive research, that is, to meeting the requirements of government regulatory agencies. The U.S. car manufacturers have been one of the chief victims of this process.[26]

As for investment, by the end of the 1970s, one-tenth of all company investment was going directly to meeting government requirements.[27] But in addition, regulatory pressure tends to distort investment planning by what Professor Douglas North terms shifting "the focus of the investment of resources into attempts to favorably influence the strategic government official."[28] Investment plans can be vetoed entirely or held up for years by complicated lawsuits arising out of anti-pollution and zoning requirements. The principal victims of these limitations on investment freedom have been the public utilities —

24. Phyllis S. McGrath, *Managing Corporate External Relations*, Conference Board, New York 1976, p 49.

25 Laurence H. Silberman, "Will Lawyers Strangle Democratic Capitalism?" *Regulation*, March/April 1978. Silberman is a former Deputy Attorney-General.

26. "How GM Manages Its Billion-Dollar R&D Program," *Business Week*, June 28, 1976 p 56.

27. Weidenbaum, *Government Power and Business Performance*, p 202.

28. Douglas C. North: "Structure and Performance: the Task of Economic History," *Journal of Economic Literature*, September 1978, p 969.

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indeed, America's nuclear power program is now in total disarray. But oil companies have also suffered severely, especially in areas of high natural growth (e.g., Colorado, California). Expansion plans often have to be scrapped entirely in the face of absolute vetoes on new housing sites.

There is also the hidden effect on small businesses. Although the frantic lobbying which had led to the new wave of business regulation was prompted by hatred of the giant corporations, in fact, the latter have been able to cope with massive regulation – which rarely makes any distinctions based on size – far more successfully than small business. The tendency of regulation has been to freeze the structure of industry, erect barriers to new entrants and reduce competition.[29]

There has been a further impact on products. The qualification standards now imposed by government on all new products, and the difficulties raised in marketing them by advertising regulations, have severely reduced the number of new products reaching the U.S. consumer. The U.S. pharmaceutical industry, once the world's leader and a model of innovative efficiency, has been a major victim. To introduce a new drug on the U.S. market and meet all the Food and Drug Administration requirements now takes an average of ten years and costs $50-60 million. As a result new drugs are being mass-produced and marketed in Europe five or more years ahead of the U.S.

But perhaps the most serious consequence of all has been the impact on morale. American businessmen feel they are operating in a hostile climate. One corporation chairman told me that nine out of ten letters he gets from government nowadays contain threats. What he and his colleagues regard as hostile government regulatory agencies recruit staff from anti-business lobbies, who then feed public money back into the lobbies to enlarge their activities, and in particular to manipulate Congress into passing more hostile legislation.[31] The

29. Kenneth W. Chilton, *The Impact of Federal Regulation on American Small Business*, Center for the Study of American Business, Washington University, St. Louis, 1978.

30. Harry Schwartz, "Medical Costs and the Drug Industry," *Wall Street Journal* April 21, 1980; see also Sam Peltzman: *Regulation of Pharmaceutical Innovation*, Washington, D.C. 1975.

31. For instances and documentation, see H. Peter Metzger, "Government-funded Activism: Hiding Behind the Public Interest," speech de-

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first national "Big Business Day," staged as part of the hate campaign this April, had as its main objective the Corporate Democracy Act, a bill which would oblige corporations above a certain size to elect "consumer representatives" to their boards.[32] The hatred expressed toward the business corporation by the environmental lobbies, academics and teachers, much of the judiciary, the churches, TV commentators, and newspaper columnists is something new in U.S. experience, and is slowly destroying the favorable public image of the businessman, once held in high esteem.

On the credit side, it is true that the American public is becoming aware that there are serious structural weaknesses in the U.S. economy. A poll published in April by the New York Stock Exchange showed that 90 percent of Americans believe the economy is heading in the wrong direction; 87 percent feel that drastic steps are needed to strengthen the economy.[33] Various high-powered conferences have been held recently on American productivity and the need to pay more attention to supply-side economics. Indeed, as long ago as last October 31, President Carter announced a new program "to enhance our nation's innovative capacity" (nothing more has been heard of it).[34] Congress is apprised of the need to assert some financial control over regulatory programs, and the overall mood in the nation is against further government expenditure. Specific plans are being put forward to reverse the productivity decline by tax incentives and by setting budgetary limits on regulation.[35]

livered at 47th Annual Conference of Southeastern Electric Exchange, Boca Raton, FL. March 26, 1980.

32. For "Corporate Democracy" see "The Case for a Corporate Democracy Act of 1980," Big Business Day Office, 411, 1346 Connecticut Avenue, N.W., Washington D.C. 20036; Ralph Nader and Mark Green, "Corporate Democracy," *New York Times*, December 28, 1979.

33. Nationwide survey made by Penn & Schoen for David Garth (on behalf of NY Stock Exchange) April 1980.

34. "Carter Plan to Spur Industry Innovation Remains Almost Invisible After Six Months," *Wall Street Journal*, April 30, 1980.

35. Summary of Policy Mix Study by Data Resources Inc., Note 13 in Mark Shepherd, Jr., "The U.S. Corporation within the Competitive Environment," Harvard Conference on U.S. Competitiveness; for the regulatory budget see *Plugging in the Supply Side*, Joint Economic Report 1980, Congress of the U.S., Senate Report NO. 96-618, Washington, D.C., GPO 1980.

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Nevertheless, as we have found in Britain, it is not easy to reverse the trend of two decades. In the United States, where there is a formal separation of powers, there are at present peculiar obstacles standing in the way of attempts to recreate a climate favorable to long-term growth. Whatever happens in the Presidential election, it seems unlikely the Republicans will acquire control of either, let alone both, houses of the legislature. Congressional support for high government spending, and strict regulation of business, has been built into the political system over a long period, and even in the most favorable circumstances will take a very long time to dismantle. Regulatory activists also hold positions of power at state, county, and city levels, and have ardent supporters in the judiciary and academe, and among the "political nation" generally.

Furthermore, many of the restraints imposed on U.S. economic growth are the result not so much of executive action or even congressional enactment as of judicial review, over which Congress — or, for that matter, the entire electorate — has little or no control. It is one of America's central weaknesses that the federal courts are among the primary engines of utopianism. Increasingly, over the past two decades, they have limited the freedom of action of the Executive and frustrated the implicit or even the explicit aims of the legislature. Recent decisions by the federal courts suggest it will not be easy to cut down the state sector, whatever the electorate decides. I cite only four recent rulings, picked almost at random: authorities which fail to provide services in such a way as to infringe the civil rights of anyone are now liable for damages; in a particular instance, an authority which reduced prison staff as an economy measure was held to have infringed the civil rights of the prisoners; for Congress specifically to refuse funds in a civil rights area (in this case abortion) is unconstitutional; government employees may not be dismissed for political reasons alone. These decisions, typical of many others, circumscribe the powers of newly and democratically elected executives — at federal, state, or city level — to control or reduce spending, to change the personnel of government, or even to change policies.[36]

It is a striking fact that some of the most expensive and

36. *Washington Star*, April 16, 1980; *Washington Post*, April 18, 1980; *Wall Street Journal*, April 24, 1980; *New York Times*, March 31, 1980.

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damaging government interventions in business are the result not of legislative enactment or executive policy but of judicial rulings. Thus, the 1964 Civil Rights Act specifically forbids any discrimination at work. The so-called Affirmative Action Program, which imposes race quotas in employment on all government departments and all private companies or organizations which receive government funds or have contracts quotas which are contrary both to the letter and spirit of the Act was devised at comparatively low levels of the government machine, and was approved by the Supreme Court in the case of *United Steelworkers of America v. Weber* (1979).[37] Race quotas, or positive discrimination, are widely cited by business managers as a primary cause of inefficiency and low morale in the work force.

Strains Imposed by Welfare

Business must also cope with the demands for rights of other "disadvantaged" groups within the community, in accordance with court decisions. The New York Fire Department is already locked in legal action over its refusal, so far, to devise physical tests which permit the employment of female labor.[38] The stricken steel industry, which may have to spend as much as $1.2 million per affected worker to reduce noise to levels required by the Occupational Health and Safety Administration, faces a series of civil rights actions for its failure to employ women. Public and private transport authorities face expenditures estimated at between $6,000 million and $20,000 million for new equipment to comply with legislation guaranteeing equal right of access to the handicapped.[39]

The notion that society must satisfy any demand for constitutional rights irrespective of the financial and economic cost seems likely to impose an ever-increasing strain on the U.S. economy in the 1980s. Let me give one major example. The

37. Nicholas Capaldi, "Twisting the Law," *Policy Review*, Spring 1980; for *Weber*, see *Major Regulatory Initiatives During 1979*, p. 27, and Carl Cohen, "Justice Debased: The Weber Decision," *Commentary*, September 1979.

38. *New York Times*, April 27, 1980, p. 56, "Public Interest Law Gains Among New York City Firms."

39. *Washington Post*, leading article, "Providing Transit for the Disabled," May 10, 1980.

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trend of court decisions in the 1960s and 1970s has been to speed up the rate of breakdown in U.S. families. This comes at a time when the government has been obliged, by statute and judicial ruling, to take on a range of economic responsibilities once discharged by the family.[40] Two out of five U.S. marriages now end in divorce; one child in six is born out of wedlock; one in five lives in a single-parent family.[41] Much of the consequent burden is carried by such federal welfare programs as Aid to Families with Dependent Children. In effect, AFDC offers a guaranteed income to any child-raising couple who split up, and to any teenage girl over 16 who is willing to bear an illegitimate child. It is calculated that in 1979 there were 20 million families which could have substantially improved their spendable incomes by splitting up and going into unemployment.[42] Once people enter this welfare culture they seldom reemerge into the active economy. This helps to explain why transfer payments now cost the U.S. taxpayer about $300,000 million a year. Any attempt to clear up the welfare mess runs into the fact that the principal beneficiary is the 25 million black minority, officially classified as disadvantaged; hence economy cuts can be ruled unconstitutional, and therefore illegal.

This aspect of America's economic problem will grow worse in the 1980s *pari passu* with the growth of the Hispanic minority. As a result of legal and illegal immigration from Mexico and the Caribbean and exceptionally high birth rates, U.S. Hispanics may outnumber blacks by the end of the decade. Already, thanks to administrative action and court decisions, many Hispanic children enjoy the "advantages" of public education in Spanish, which means that a growing percentage of them may never learn enough English to pass fully into the economy but will remain the political prisoners of their own activists.[43] Traditionally, Hispanic marriages were more stable than the U.S. average; they are now breaking down at twice the black

40. Mary Ann Glendon, "Marriage and the State: The Withering Away of Marriage," *Virginia Law Review*, May 1976.

41. "Mr. Carter's Family Plans," *Wall Street Journal*, May 1, 1980.

42. George Gilder: "The Coming Welfare Crisis," *Policy Review*, Winter, 1980.

43. Tom Bethell, Against Bilingual Education, *Harper's*, February 1979.

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pace, and as a result more and more Hispanics are moving into the welfare culture.[44]

It follows, then, that whoever occupies the White House in the 1980s, attempts to cut America's burgeoning welfare state will run into grave constitutional and legal barriers and risk large-scale communal resistance from not one but two huge racial minorities. But while it will be difficult to cut the welfare budget or even to prevent its increasing, there will be comparatively fewer taxpayers to finance it. The fifteen-year period of falling U.S. birthrates, which began in the mid-1960s, means that from 1984-5 onwards there will be a long-term decline in the number of active workers available to support the growing numbers of retired workers, let alone non-productive recipients of welfare.[45] This coincides, too, with a growing reluctance on the part of any section of the population, including blacks and Hispanics, to accept low-paid jobs, particularly when (as is usual) there is little financial incentive to do so.

In conclusion, during the 1980s the United States can be expected to lose its economic primacy and to face socio-economic challenges of a new kind. While in theory America's predicament can be radically improved if the right political decisions are taken quickly, in practice constitutional and institutional impediments make speedy and effective action difficult. The lamentable failure of the U.S. to deal purposefully with its energy problem, which presented itself in an acute form as long ago as 1973-74, does not inspire confidence. It is true that, in the past, gloomy forecasts about America's future have been falsified by the extraordinary vigor and adaptability with which the nation has reacted to threats to its well-being, whether military, political, or economic. What makes me incline to pessimism in this instance is the refusal of so many groups of influential Americans to recognize the growing weakness, both in resources and morale, of the American capitalistic system and their evident determination to continue to impose debilitating burdens upon it. I am dismayed by the reluctance of the courts and the universities, of those who control leading newspapers, TV networks, and public foundations, of America's elder statesmen and, indeed, of many

44. Gilder, *op cit.*
45. *Ibid.*

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who carry most weight in Congress, to accept the gravity of the crisis and the need to bring about a revolution in public thinking. Fundamentally, America's economy problem is the same kind as Britain's. In every material respect, America is better placed to achieve a rapid turnaround. But, unlike Britain, it has not yet formed the resolve to reverse course, let alone elected a government pledged and steeled to do it.

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Environmentalism: The Newest Toryism

WILLIAM TUCKER

I have a growing conviction that the period of our history, from 1960 to the present, and possibly beyond, is eventually going to be remembered as the Age of Environmentalism. Two years ago, I began writing a book, now almost complete, under this title. At the beginning it seemed a little overreaching. Environmentalism, after all, has always had the stamp of a side-issue, a fringe concern carried on at best by a few overwrought people. It has never seemed completely central to our history. Now I am not so sure. More and more it seems to me that "environmentalism," and all this socially loaded term implies, is going to be the central metaphor for the historic changes that have occurred in American society over the last twenty years.

The central fact of that social change has been this: the emergence of a strong, vocal, politically self-identified upper-middle class in American society. This social segment began the era as the vanguard of "liberalism," and ended as extremely defensive and *conservative*. That conservatism has been expressed under the banner of the political movement called "environmentalism."

We are, of course, as everyone knows, a classless society. We have no peerages, no royal orders, no class-identifying accents, no parish categories, none of the *formal* institutions of a class system which characterize the Old World of Europe and the Ancient World of the Middle East and Asia. Yet, as John Huizinga, the eminent Dutch historian said, because none of the old social institutions existed in America, it was necessary to re-invent nearly all of them. Environmentalism, I believe, is the long delayed invention of the theory of an aristocratic conservatism grown on our own native American soil.

This is not to say that the rise of environmentalism has not been completely democratic. I have found that when one talks about environmentalism as a manifestation of aristocratic conservatism in American politics, people tend to think in terms of "conspiracies" and to think one is referring to a movement by "America's Forty Families" to restore the British crown or

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some such thing. Environmentalism has been nothing of this sort. It has been a perfectly spontaneous, popular political phenomenon. What it has meant, however, is that a large segment of American society has suddenly discovered that it had a lot more in common with America's "old wealth" and shadow aristocracy than was previously supposed. As larger and larger portions of America's emerging upper-middle class found that they had more to protect than they previously realized, the wiles and ways of aristocratic conservatism have become more and more appealing. The result has been the Environmental Movement.

American Social Classes

Let me briefly outline what I think has happened to the social and political alignments in American society since 1960. There is a general concensus among sociologists that American society can be broken down into the following five socio-economic class identifications:

old wealth — shadow aristocracy, "good families"
business elite — "the Establishment," Republicans
upper-middle class — college educated, white-collar workers
lower-middle class — high-school educated, blue-collar
the poor — disenfranchised of all groups

Old wealth is by far the narrowest spectrum of this classification, and, like most aristocracies, exercises almost no authorities through its numbers alone. Instead, old wealth only asserts itself through its access to positions of power and influence, and its style-setting capabilities.

Prior to the Depression, old wealth and the business elite had teamed to form the solid base of the Republican Party, while labor and the poor, brought together through the city political machines or Populist groups, made up the Democrats. The small slice of the "respectable" middle class between these two groups was the swing vote. In good times, they generally opted for status and voted with the Republicans, producing the long periods of Republican ascendency during the late nineteenth century and into the 1920s. Only during sporadic periods of reform or financial panic did the Democrats get the upper hand.

During the Depression, the Roosevelt coalition pitted renegade members of old wealth (President Roosevelt himself) and the business elite with large segments of the white-collar

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working class, labor, and the poor. Together they overwhelmed the remnants of the business elite and the old wealth that remained in the Republican Party. It was not until the 1950s that some balance returned. Then, the white-collar college graduates moving into the suburbs began to express their new status and security by once again identifying with the Republican majorities during the Eisenhower years.

Then, in 1960, things began to change again. Specifically, a wide fissure began to appear between the two groups – the *upper middle class and the lower* middle class – generally lumped together under the all-encompassing term "middle class". This differentiation, I believe, has become the most important, overlooked class distinction in American society today.

With so many people beginning to crowd into the suburbs, the normal status divisions – home ownership and Republican registration – no longer had the same effect. Suddenly there were jokes about "ticky-tacky" houses filled with "ticky-tacky" people. Education and "lifestyle" habits became a far more reliable means of status than normal suburban residence differentiation. The Polish joke arose as a way of expressing the anxiety of thoroughly assimilated suburban Americans toward the ethnic people who were aspiring toward the same middle-class values. (It is interesting to note how the Polish joke arose in the early 1960s, at almost the precise point when the old "Negro joke," told in Southern dialect, suddenly became unfashionable in upper-middle class circles.)

In brief, then, the social history of America since 1960 has been primarily one of the emergence of a self-identified, increasingly politically coherent upper-middle class. This clear differentiation has given rise to the term, "The New Class," although the description is used in many contexts. Generally, however, it refers to the college-educated, professionally oriented, bureaucratically adept upper-middle class that has, not incidentally, formed the backbone of the environmental movement.

Emergent Liberalism

What is interesting to note is that the upper-middle class did not begin its political emergence by promoting its own *self*-interest. Instead, it seized upon a genuinely altruistic cause, the

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promotion of the concerns of the blacks, the poor, and those at the bottom of society. This may, in fact, be a kind of general historical rule. Emerging social groups may tend to present themselves in an altruistic context at the beginning of their self-identification, and only later solidify their purposes around *self*-interest. In any case, this is what happened in the present instance.

The upper-middle class embarked on the cause of "liberalism" by sponsoring the cause of black people and other minorities. This effort cut several ways. First, it helped black people, and therefore deserves a great amount of praise. The liberal effort was a first step in resolving the greatest of all caste distinctions in American society, and was a strong reaffirmation of the ideals of American democracy. Second, however, it advanced the interests of black people without immediately threatening the interests of upper-middle class people. In general, black people have been attempting to move in large numbers into lower-middle class, blue-collar jobs, not upper-middle class, white-collar and professional jobs. Affirmative action programs have applied much more to construction unions, police forces, and blue-collar trainee programs than they have to college professorships or other upper-middle class preserves. Where they have applied (as in the *Bakke* case) they have been widely perceived by the upper-middle class as having "gone too far."

Third, by making an alliance with the black and poor, the upper-middle class was able to outflank its implicit social rival, the blue-collar lower-middle class. The "moral imperative" of incorporating the black and poor into American society has also been a useful tool in blunting some of the social aspirations of the lower-middle class. School integration, for example, has been largely a matter of upper-middle class people saying that black children must go to school with the children of lower-middle class people. Dozens and dozens of corporate boards and foundation directorships have now added black and other "minority" members (including women) to the generally upper-middle class Waspish numbers, without yet incorporating any Italians, Poles, Eastern Europeans -- or sometimes even Jews.

But the important point is that, by 1969-70, upper-middle class concern for the poor and underprivileged in society had just about exhausted itself. Black rage, perhaps egged on by liberal concern, was spilling over into escalating violence. Upper-middle class youth, who had carried their concerns

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into the black communities, were developing alarming tendencies toward violence themselves. In addition, both George Wallace and Richard Nixon had tapped significant veins of lower-middle class "backlash," the defeat of Hubert Humphrey in the 1968 election showed that the liberal alliance of the upper-middle class and the poor – in terms of sheer numbers – was still very weak.

At this point, undoubtedly without any deliberate intent, there was a massive redefining of the social issues by the liberal faction. Social issues became temporarily overshadowed by the idea that "the planet itself was in danger," and "mankind was on the verge of extinction." Thus, with much overwrought rhetoric, and a dash of apocalyptic prophecy, environmentalism was born. It has proved to be an enormous success. It has become practically a password among liberals (much as "abortion" is to those of the New Right), and has attracted most of this group's political energies. Mixing a healthy modicum of anti-business rhetoric with idealism and a back-to-nature fad (always a popular item), environmentalism has touched on several very important political issues.

The Environment as a Conservative Cause

Because environmentalism sprouted as a "liberal" cause, however, it has been almost entirely overlooked that it is conservative at heart. Basically, what has happened is that large segments of the upper-middle class have turned away from their political alliance with the poor, and have struck up a fruitful association with old wealth. They have found conservative, aristocratic attitudes much to their liking. Aristocratic conservatism, of course, is mainly concerned with the preservation of the status quo, and the protection of existing privilege. The upper-middle class, suddenly in a position of affluent privilege in American society, has discovered that these well-formed attitudes express its new found interest almost perfectly. Under the aegis of environmentalism, America's upper-middle class has learned to suspect technological change, to look askance at economic growth, to place "spiritual values" over "material progress," and to start looking down on industry and commercial activity as something vulgar and distasteful. All of these, of course, are ancient, well-tuned aristocratic attitudes. Environmentalism, as it turns out, has been a theore-

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tical basis for something which is almost a contradiction in terms – a "mass elite."

The quality of self-interest in the environmental movement is something which the press has found absolutely impossible to grasp – possibly because most members of the press are firmly entrenched in the college-educated upper-middle class themselves. Recently, for example, the *Wall Street Journal* reviewed the activities of the Natural Resources Defense Council (NRDC), one of the upper-crust national environmental groups which has attracted enthusiastic support from legions of young lawyers and professionals. The *Journal* noted that within the past five years, the NRDC had lined up against almost every conceivable form of energy-generation, including the hydroelectric facilities that environmentalists now define as "solar energy." It noted that the NRDC had talked about coal as an "alternative" to nuclear power, after earlier describing nuclear as an "alternative" to coal power, yet had consistently opposed *both* when it came time to actually put them into practice. Yet even the *Journal* tends to see this as a kind of "anti-business" conspiracy. Other newspapers with a more popular footing simply assume that the members of NRDC understand more about the beauties of wildlife and woodlands than do the normal run of people.

The understanding of environmentalism as a protection of entrenched privilege makes this "anti-everything" position perfectly understandable. People who have reached a certain level of affluence and privilege in society inevitably turn their efforts away from the accumulation of more wealth and privilege, and toward denying the same benefits to others. It is much easier to kick the ladder out from under you and prevent others from matching your own achievements, than to keep endlessly creating newer status systems and privileges in the hope of keeping one step ahead of the crowds below. Environmentalism, without question, has split American society *laterally*, pitting those at the top against those at the bottom – the haves against the have-nots. The saving virtue that has allowed it to remain a "liberal" cause is that it has been so remarkably non-discriminatory in its dislike for the hordes of people ("population units," as one early phrase had it) who threaten to "desecrate the environment." Environmentalism has aimed its sharpest barbs, not against blacks, the poor, Mexicans, Indians, the elderly, or

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women, but simply against *people in general*. "People are the problem" is the beautifully naive way in which the privileged have expressed their resentment against the aspirations of the underprivileged. Is it any wonder that the underprivileged, in whatever vague and unarticulated sense, have picked up this implicit insult and have resented it, despite the disclaimer that it is only "nature" and "carrying capacities" which environmentalists are seeking to protect?

Conservation without Elitism

But of course all this does not mean that environmentalists have been wrong in a great many of the concerns which they have raised. There is a hard core of truth in the worries which environmentalists express. It is my feeling that it will be the task of American politics in the next few years to incorporate the major issues which environmentalists have raised without adopting the conservative and elitist cast which environmentalists have given to them. Environmentalism without elitism is a legitimate goal of the American political system.

The major concern of the environmental movement has been pollution. This, of course, is not an imaginary issue. A friend of mine recently returned from Los Angeles where he said he listened to people seriously advising him to cope with the polluted air by wearing a surgical mask on the street, or carrying a small bottle of oxygen which could be bought at the drug store "for only $20." He said he felt as if he were living in a science-fiction movie.

Both pollution and toxic wastes are not indications of the failure of capitalism (or socialism), the hard-heartedness of business people, or the impending end of the world. They are a phenomenon long recognized by economists as "market externalities." This means that the incentives and disincentives to produce or eliminate them do not exist within the current market system. There is nothing very exceptional about this. It has long been acknowledged that the market does not deal directly with many socially significant phenomena. The solution is to incorporate them in the best way possible.

By far the simplest way is to readjust the market so that it includes the externalities – to "put a price on pollution." It has been said over and over, but must be reiterated here, that businesses do not pollute the air and water because they are

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inherently bad; they pollute because it is cheap. Many of the more seasoned and progressive environmental groups, such as Resources for the Future, have long argued that a variety of market mechanisms – such as pollution taxes, or "marketable rights to pollute" – are a simple, clean way toward solving the major environmental problems. Many officials in the Nixon Administration picked up these ideas and, for several years, a tug-of-war was fought over how environmental problems were going to be solved. At various points during the early 1970s the Nixon Administration introduced legislation to put a tax on sulfur dioxide emissions from power plants, and lead emissions from automobiles. Both failed to pass the Congress. Instead, the "command-and-control" regulatory approach was adopted.

The reason these "market mechanisms" failed to carry the day was mainly because most environmentalists did not support them. Ever suspicious of business, they were sure that corporations would prefer to pay the price, no matter how high, in order to be free to exercise their natural bent to pollute the environment. The results have been severely detrimental toward business, and a boon to the regulatory apparatus. Regulation requires complete and constant bureaucratic intervention in any and all business decisions. Oddly enough, however, the decision also seems to have been a real handicap in cleaning up the environment.

The central problem is that regulation is geared almost entirely against innovation. Environmentalists have not minded this, since regulation and the "environmental impact statement" have become a checkpoint at which practically all technological changes can be monitored. The natural conservatism of the bureaucrat and of the environmentalist have meshed perfectly. Yet the problem has been that many innovations which could have helped the environment have been stymied. Probably the best example is the biological insect controls, a group of sophisticated chemicals touted by Rachel Carson as the benign successors to DDT. Although there is almost unanimous agreement among scientists, manufacturers, and environmentalists that "biological" pest controls would be a useful environmental tool, only a handful of these innovative chemicals have ever made it through the elaborate new pesticide regulations.

Another example of lost innovations has been the Environmental Protection Administration's decision to force all American manufacturers to adopt the platinum-based catalytic con-

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vertor as the means of controlling auto emissions. The technology was developed by General Motors, and the EPA required that both Ford and Chrysler buy it, on the grounds that it was the best technology available for meeting the 1976 pollution standards required by the 1970 Clean Air Act. Ford was trying to develop a stratified-charge engine to meet these standards, and asked for a one-year delay in compliance in order to develop what it felt was a better long-range technology. Had the company had the option of risking a one-year financial penalty in order to follow its own technological hunches, things might have been different. But the EPA decided in favor of uniformity among America's three major auto manufacturers. The catalytic convertor has turned out to be a problem-plagued failure – mainly because motorists were given no incentive to maintain them, and have shown a tendency to ruin them by buying cheaper leaded gasoline. Meanwhile, Japanese auto manufacturers have gone on to develop a stratified-charge engine that both meets the EPA standards and gets better gas mileage.

Energy on the Marketplace

On energy matters, environmentalists have had some good ideas, and their responsibility for the problems of the "energy crisis" are probably exaggerated. The core of our energy dilemma, after all, is the end of the "easy oil," and our turn toward imported oil to furnish our basic energy needs. In doing so, we have lost control of the pricing mechanism, and must now pay what other countries demand. Our response, unfortunately, has been to stick our heads in the sand and try to ignore the new economic realities through price controls. Had the government not been "protecting consumers" since 1973, Detroit undoubtedly would have long since moved to smaller cars – and people would have been willing to *buy* them. The current nightmare of an overnight adjustment of an entire industry never would have happened. In terms of conforming to the new economic realities, the environmentalists charge to "conserve energy" makes perfect sense. The problem has been that environmentalists have rarely had the political courage to view price as a necessary instrument of conservation, and instead have tried to straddle the positions of being both environmentalists and "consumer advocates." Thus it is left to hard-hearted business people to bring the bad news that people are only

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willing to conserve when the proper economic incentives are in place.

The same dilemma faces the environmental movement in its efforts to block the construction of electric power plants. Historically, the continuing rise in demand for electricity has been fueled by a nationwide policy of pricing electricity at average, rather than marginal, prices. Thus expensive new nuclear and coal plants are subsidized because their electricity is averaged in with power generated from cheaper hydroelectric plants or power stations whose capital costs have already been paid. Simply put, the way to cut demand for new power plants would be to get people to pay the higher marginal rates for electricity. Yet environmentalists and anti-nuclear activists never fail to couple their "No Nukes" cry with a call to "fight utility price hikes." Thus, with electricity rates held low, the need for new power plants becomes inevitable, and conservation remains an unprofitable strategy. Sophisticated environmental leaders like Amory Lovins have pointed this out to the troops many times, but such warnings have had no noticeable impression on the rank-and-file of vocal "environmental-consumerists."

Perhaps the most overlooked aspect of the Environmental Era is how the whole movement has been absorbed by big business, while placing its heaviest burden on small businesses. Environmentalists never tire of trumpeting how they are the "enemies of big business," but in fact most big businesses have had relatively little difficulty absorbing the new restrictions. In many instances, big businesses were already running relatively clean operations, and their costly methods have become the new standard for smaller industries, which have found them almost impossible to meet. Professor Robert A. Leone, of the Harvard Business School, has argued that the concentration and oligopolization of industry through pollution regulation may eventually emerge as the most significant social cost of the environmental era. He cites the example of the metal finishing industry, where water pollution regulations have forced a decentralized industry of over 70,000 plants to consolidate into what will eventually be only about 5,000 large facilities. Since it is well recognized that small and medium-sized businesses contribute very heavily to industrial innovation, it is not surprising that the Age of Environmentalism has also been an age of declining advances in productivity.

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The inadvertant results of regulations on smaller businesses, rather than big business, of course, have always been among the stumbling blocks of anti-business crusaders. Ralph Nader took aim at General Motors and hit Chrysler. Nearly all "pro-consumer" and "anti-monopoly" regulatory efforts have ended up underwriting government-fostered monopolies. Any set of regulations which raises entry barriers, or politicizes an industry, is going to end up benefitting industries which are already established. Environmentalism has become the handiest of all methods whereby any individual or group (suburbanites, resort communities, entrenched business interests) can protect the status quo by arguing that the new intruder/innovator will upset the "natural balance" of things by producing unpredictable change. Therefore, it is not at all surprising that America's large businesses, which are essentially conservative entities, have been able to absorb the rhetoric and more of environmentalism and even turn them to their advantage. Is there any other explanation of why the Sierra Club and the railroad industry are now co-litigants in Federal Court to prevent the government from making improvements for barge traffic on the Mississippi River?

Isolating the New Class

Where is all this going to lead? Somehow I cannot help but feel that, despite the apparent enshrinement of environmentalism as an institution of American politics, time may be rapidly running out on the environmental movement. The reason is, quite simply, that the movement is rapidly losing the unconscious support it has received as "everybody's issue," and that its main political base – the affluent, upper-middle class – is moving to a more isolated political position. It may not be too foolish to say that the 1980 election could be a watershed for environmental politics. Two things seem to be happening simultaneously. First, the "liberal" alliance of the poor and the upper-middle class has engendered an equally forceful alliance between the lower-middle class and the business elite. This "neo-conservative" alliance seems to have been consumated in the emergence of Ronald Reagan as the leader of a strongly reconstituted Republican Party. Second, the upper-middle class – foolishly, but perhaps inevitably – seems determined to go its own way without retaining any of its former alliances, with either labor

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or the poor. John Anderson, the maverick Republican, perfectly embodies the new, New Class attitudes – an underlying conservatism garnished with just enough liberal shibboleths to insure some vestige of respectability. It is obvious that Mr. Anderson has no appeal to either labor or the poor, and that his only political base is in an increasingly isolated upper-middle class.

Thus, whichever way the election goes, it appears to promise a narrowing political scope for environmentalism. With John Anderson siphoning off upper-middle class votes from Jimmy Carter, the President, if he wins, will only owe his re-election to the loyalty of labor. If Reagan wins, of course, the environmental movement will be very much on the defensive. Only in the extremely unlikely event that John Anderson wins will environmentalists have much standing in the new administration.

Paradoxically, it is just the apparent ebb in the tide of environmental politics which, to my mind, makes it important that the underlying issues which environmentalists have raised must now be addressed more seriously than ever. Environmentalists certainly have not invented the issues of pollution or energy conservation – they have only put them to their own peculiar political uses. The oil crisis, air and water pollution, toxic wastes, and the dangers of nuclear power will still be with us even if the Environmental Protection Agency were to close up shop and go into the business of selling lemonade and brownies for the benefit of small business.

What is needed now is a fresh approach which sees environmental problems basically as *economic* problems which tell us – not that we are living at the end of the world – but only that we are doing a few things wrong which need to be corrected. Environmental problems must be approached in the spirit that they are solvable, and not that they are messages which convey the malignant intent of an evil business establishment, or the first reckonings of Doomsday. A new pragmatic, optimistic approach to environmental problems would be the best possible legacy of the Age of Environmentalism.

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Tales from the Public Sector

Jones had a dog; it had a chain;
Not often worn, not causing pain;
But, as the I.K.L. had passed
Their "Unleashed Cousins Act" at last,
Inspectors took the chain away;
Whereat the canine barked "hurray!"
At which, of course, the S.P.U.
(Whose Nervous Motorists' Bill was through)
Were forced to give the dog in charge
For being Audibly at Large.
None, you will say, were now annoyed,
Save haply Jones — the yard was void.
But something being in the lease
About "alarms to aid police,"
The U.S.U. annexed the yard
For having no sufficient guard . . .

G. K. Chesterton
Collected Poems

Battle of the Porch

A man's home is his castle. — Anonymous.
The rear porch extension [of your house] is denied and illegal. This construction must be removed in 30 days. — Bernard Glover, construction official, Borough of Princeton, New Jersey.

In the beginning I knew my house could never be a castle, of course. It was just half a house, a townhouse joined by a common wall to another, with only one narrow side yard, and a backyard the size of a badminton court, bordering a refuse heap on the commercial property next door. But I had a vision, of replacing that decrepit old back stoop with a sun porch and deck, putting up a stockade fence, and creating a compact but comfortable urban landscape. Eventually I would renovate the interior, adding insulation and new windows, and breathing some energy into the small rooms by adding skylights and expanding into the attic.

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The project seemed so simple. The only puzzle was why the previous owner had not made the same improvements; in fact, why the owners of dozens of other small houses in this increasingly desirable real estate market hadn't taken similar steps.

I got a clue one day when the porch was nearly completed. A letter arrived from the Princeton Borough construction official, Bernard "Red" Glover:

> It has come to the attention of this Department that a porch has been constructed or enlarged at 59 Moran Avenue. . . May I remind you that under Section 5:23-2.5 of the N.J.U.C.C. it is unlawful to construct or enlarge a structure without first filing an application and obtaining a construction permit. . .
>
> . . . If the required permit is not obtained within 3 days this Department shall have to take the necessary legal steps to enforce compliance.

Obtaining a permit, I knew even then, would be impossible without first getting a zoning variance. In Princeton, and in probably most similar towns, zoning laws are tailored to a 1950s vision of the suburban dream home, sitting smack in the middle of a large patch of green grass. My urban townhouse, built before the burghers began fretting over property values, already violated every applicable zoning standard. The combined width of the side yards, for example, has to be at least 20 feet. My entire lot is only 20 feet wide. The smaller side yard has to be at least eight feet. My *only* side yard is six feet. Virtually any exterior renovation of my house would be forbidden, unless I could get a variance first from the zoning board.

Sure enough, a few days after I submitted my application and a sketch of the new porch, I received another letter from Mr. Glover, who has been dotting i's and crossing t's in the Princeton building code for a good 20 years:

> May I remind you that the minimum side yard . . . is 8 feet. The submitted rough sketch is considerably less than this requirement.
>
> This application for the rear porch extension is therefore denied and illegal. This construction must be removed in 30 days (N.J.A.C.5:23-2.9 (b)).
>
> May I remind you that the Construction Official may assess a monetary penalty, up to $500. per day, whenever

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such shall be likely to assist in bringing about compliance. (N.J.A.C. 5: 23-2.9).

A possible alternative is to seek the zoning relief needed for such a structure.

Five hundred bucks a day sounded serious. I called Mr. Glover and inquired about "zoning relief." He was not overly encouraging. "It's a very sophisticated procedure we have here," he said, with an air of pride. "There's a lot of paperwork."

The application to the Zoning Board was seven pages – legal size. Ten copies had to be submitted, along with a $25 application fee. Notification had to be mailed to all property owners within 200 feet – 26 people in my case. The Borough provided me with the list of names – for a $10 fee. I sent out letters by certified, return receipt mail, at $1.40 a piece. I also filed a legal notice in the community newspaper as required by the law –$10.44.

At the Zoning Board meeting one month before my scheduled appearance a landlord applied for a variance to allow his tenants to park their cars behind their house. A Borough ordinance forbids them from parking overnight on the street. The landlord was represented by a lawyer and an architect, at a cost approaching $1,000. The zoning board rejected the request. My own lawyer told me not to worry. Then he told me I'd be on my own before the board. "You'll be better off," he said. "They won't be able to get into big legal arguments with you."

The lawyer was correct. My case cruised through the Zoning Board, 5-0. "An Eden in asphalt," remarked one glib board member. That victory notwithstanding, I resolved that the interior renovation would run the straight and narrow course, well out of range of Red Glover's long arm. I would have professionals handling the details.

This time around the sketches were detailed blueprints, prepared by an architect well versed in all the zoning laws. I hired a contractor to do the work. He applied for the building permit and received it – for an $80 fee. Mr. Glover's signature was affixed, and I proudly displayed it in the front window.

The interior renovations went so smoothly that, when I received another letter from the building official, I assumed it was some minor communication concerning the back porch. Mr. Glover, however, had found something to contest:

A recent inspection of the work in progress under

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> construction permit #6743 . . . revealed that a skylight has been installed in the kitchen ceiling and section 1 (c) of the State of N.J. Small Dwelling Energy Code Compliance Manual, stipulates that ceiling design shall contain no skylights, therefore, these installations must be denied.
>
> May I remind you that relief may possibly be gained through computations which are made available through N.J.A.C. 5:23-3.8 (a) . . . in the Small Dwelling Energy Subcode Compliance Manual, which is available from the Construction Code Enforcement Office, Department of Community Affairs.

The architect had shown both skylights in the blueprints submitted with the building permit application. He had never heard of such a requirement for a home renovation. I called the Construction Code Enforcement Office in Trenton. I didn't identify myself, but said I was a Princeton resident interested in the legality of skylights.

The man on the phone could be heard talking to a colleague: "Hey, that guy in Princeton that Red Glover's after is on the phone." The colleague got on the line and explained that the state energy code, enacted in 1978, demands that new buildings or those being renovated meet certain performance standards for energy conservation. Skylights may be installed, but only if the overall loss of heat is maintained within certain limits. Those are determined by a complicated series of equations involving R factors, U factors, and mysterious variables.

The Trenton official pointed out that not all local construction officials understood the law, which suggested to me why Mr. Glover had called the office a few days before I did. The official added, however, that the energy code was written to spare individual homeowners and local construction officials the grief of all those equations. If a renovation constitutes less than 25 percent of the value of the structure, the local official can waive the energy requirements, so long as the owner demonstrates reasonable steps to be energy conscious.

"We try to be reasonable," said the Community Affairs spokesman. "Unfortunately, not all construction officials are famous for being reasonable."

I called Mr. Glover and inquired about the waiver for small renovations. "My opinion is that the energy code must be complied with," he replied. I resisted asking him if he would separate pepper from parakeet dung if ordered to do so. Instead

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I told him that trying to make some home improvements could be a punishing experience.

I vowed that the kitchen skylight would never be removed, and that the skylight in the roof would be installed if I had to chop through the rafters myself. The battle of the back porch would be a small skirmish compared to the fire fight I would wage for the skylights.

Soon cooler heads prevailed. The architect formulated five pages of prodigious numerical analyses that demonstrated – to anyone who could comprehend the numbers – that the house met all the standards of the New Jersey Small Dwelling Energy Code – skylights and all. The contractor presented the evidence to Mr. Glover and installed the second skylight.

I sat back and braced myself for another missive from Borough Hall. First I got another bill from the architect: $145 for the energy calculations.

Property values in Princeton are rising steadily. Any property owner who makes improvements on his house can realize a killing in resale value. And yet, strange as it may seem, none of my neighbors are joining the effort to upgrade our neighborhood.

Richard K. Rein

Of Blueberries and Bureaucrats

The fall of 1979 was a beautiful one in Norway. Nature's bounty was flooding us from mountains, forests and valleys; blueberries, cloudberries, and cowberries were offered for sale in the market place by the bucket and the barrel.

Well, the reader may say, so what? Autumn and berries always come together.

No they don't, not always. In 1977 and the years before, millions and millions of kilos of berries were rotting unpicked in the mountains, valleys, and forests of Norway. They were not moved to the market place. They were unobtainable in the stores. Cloudberries had to be imported from Swedish Lapland, cowberries from Russia, and blueberries from Poland.

But that's changed. Suddenly in the fall of 1979, it was discovered that we were sending tons and tons of berries out of

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the country. One exporter up North was selling blueberries by the truckload to German wine producers (don't ask me how blueberries are turned into red wine; all I know is that he gets paid – and paid well – in solid Deutschemarks for his berries).

What happened? Just a very simple thing: The government removed its heavy hand; the tax on berrypicking was lifted by Royal Decree in 1977. That's all, but it's made all the difference.

Before 1977 conscientious revenuers hunted down the berrypickers, in particular the more enterprising ones who supplied the products directly to customers in the bigger cities. Their profit was hardly excessive, but in the eyes of the Internal Revenue Service profit is profit and immoral – well, at least illegal – unless subjected to taxation. Silly? Certainly, but the absurdity of the matter did not bother the government in the least.

But political repercussions did. The tax on berrypicking threatened to become an issue in 1977, an election year in Norway. So berrypicking was simply rebaptized. One day it was suddenly no longer classified as economic activity. It was renamed *hobby*. And hobbies do not – *mirabile dictu*! – produce a profit, at least not a taxable profit. In the words of the new ruling from the IRS: "From the legal point of view berrypicking must be regarded as an activity which, objectively speaking, is not liable to produce profit." Whatever that may mean.

But, there were strings attached (there is no such thing as a free tax concession either). Not *all* hobbies were exempted from taxation, only "yield from natural products which can be freely harvested." And, the government sternly reminds you, income from the sale of such products shall be tax free *only* when the total amount does not exceed sixty cents. (This last reminder is mere face-saving verbiage. How would the government pin excess income from berrypicking on any one taxpayer? You can be sure that every picker will produce the number of relatives and friends required to cover the excess income. That money, I swear, will never be taxed, however taxable!)

Nevertheless, you might say, let us rejoice! At least the government has shown good sense and generosity in doing away with the tax on berrypicking . . .

Ah, but there's the sad part of this tale. For there is really no

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cause to rejoice, no reason to credit the government. The tax on picking berries was not lifted out of good sense or generosity, but for the basest tactical motives and political reasons alone.

But the rest of us may derive some fun from picking our berries – tax free.

Ole-Jacob Hoff

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Book Reviews

Reforming the Reformers

HOW TO WIN VOTES: THE POLITICS OF 1980. *By Edward N. Costikyan.* (Harcourt, Brace and Jovanovich, New York, 1980)

In an election year that has already had its share of surprises, perhaps the only predictable thing is that the eventual winner will be the favorite of a relatively small percentage of Americans. Since 1960, the proportion of people old enough to vote who cast ballots for President has been steadily declining. In 1976, slightly more than half turned out, enabling Jimmy Carter to take control of the White House with the backing of about one-quarter of his fellow citizens. With substantial numbers of Republicans and Democrats apparently dissatisfied with their likely nominee and with the prospect of Representative John Anderson's independent candidacy, the next President seems sure to have an even narrower base of support. So too, if recent trends persist, will those elected to Congress and state or local office.

Grasping this new political reality is, according to New York lawyer and politician Edward N. Costikyan, the key to electoral success in the 1980s. The "nonvoting majority," he writes in *How to Win Votes: The Politics of 1980*, holds the power to decide any election; mobilizing even a fraction of it can turn a potential loser into a victor. Just fifteen years ago, when he wrote about his experiences as head of Tammany Hall, success at the polls depended upon getting party regulars out to vote. Now he advises that "trying to launch a political career in the 1980s through party activity is like learning to swim in a lead wetsuit." (35) The rules of the game have changed, the irregulars count, and while not altogether pleased with the results, Mr. Costikyan provides a crafty insider's guide on how to play.

The principal task of today's would-be office-holder is to find out what the non-voters want. Since they do not participate much in politics, the normal channels of political communication, such as precinct captains, are little help. Nor are most polls, since they usually record the opinions of those actively interested in politics, not of those who are uninvolved and undecided. Less conventional methods must be used instead, relying on extensive speaking, group meetings, and personal canvassing, which require the candidate to begin his campaign long before Election Day.

Furthermore, it is not enough to know why non-voters stay home. Today's politician must find ways of getting them to the voting booth. According to Mr. Costikyan, this calls for making "private issues into public ones" and producing plausible solutions for them. Yet, because the issues are apt to be new and the solutions novel, the candidate needs plenty of time to develop them, or else he may lose more voters than he gains non-voters. Another reason for starting early.

The new politics demands more than time from the candidate. Since

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the regular machine misses the non-voters, he must build his own political "army" to find and register his supporters and remind them to vote on Election Day. He must also raise his own money, and lots of it, since money is "the functional equivalent of the old machines," (88) enabling him to buy the kind of help he could have expected the party faithful to give in the past. (What are for-hire consultants like David Garth, if not bosses without machines?) Knowing something about law, government, or economics may be useful, but in the age of electronic campaigning, schooling in the performing arts is better. That is why candidates who are already public figures have an advantage, while those who rely on personal style or ethnic background may not. In short, today's candidate must be prepared to do everything for himself, from carrying his own suitcases to writing his own commercials. That sometimes convenient distance between party leader and nominee, between vote-seeker and office-holder, is a thing of the past.

What troubles Mr. Costikyan about these new rules is that they seem to produce worse government. "The old-fashioned political process subjected its participants to a rigorous discipline, a kind of instruction," (79) he writes, while the new one elects people who know little more than what was necessary to get elected. Indeed, in his view "most successful candidates" (127) have difficulty separating campaigning from governing and are like the Robert Redford-character in the movie *The Candidate* who, after winning, asks "What the hell do we do now?" Not surprisingly, what they do depends upon what they think will please the voters, and few are willing to fight public opinion. The irony, according to Mr. Costikyan, is that such leaderless government seems to make office-holders less popular and voters less interested in voting.

That is why Mr. Costikyan believes seeking out the non-voters is not only good politics but good government. As fewer and fewer people participate in elections, candidates are more and more swayed by the views of organized and vocal minorities: "special interests" that know what they want and vote accordingly. The issues that preoccupy government thus become ever more distant from those that concern the vast majority of citizens. The power of the state may be used for the benefit of the few. "A government controlled by a coalition of three or four minuscule special interests, with the large majority outside the electoral process," Mr. Costikyan warns, "will be ultimately as ineffective in governing this country as the post-McGovern Democratic Party has been in running its half of the political process." (200) His solution is to bring back majority rule, to involve those citizens who are not heard from in the political process, to free politicians from dependency upon organized interests. The remedy for the problems of 1980s-style democracy turns out to be more democracy.

This suggestion would be more persuasive if Mr. Costikyan could show that the non-voters were truly discontented with the government they are getting. In fact, a special poll commissioned for this book reveals nothing of the sort. Both voters and non-voters in a recent election in Hartford, Connecticut, were comfortable with the political process, the latter even a bit more so than the former. Neither had much confidence in elected officials, but those who stayed home on Election Day were

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not particularly angry or disaffected, just uninterested. The major difference between the two groups seems to be that one had somehow acquired the habit of voting, while the other had not.

These findings should not come as a surprise. Although protest movements, such as California's tax-revolt, can sometimes mobilize the non-voters, there is little evidence that their anger extends beyond a specific issue. (Opinion polls showed that Californians who voted for Proposition 13 were not opposed to public services, but only to the level of taxes required to pay for them.) Nor have political scientists been notably successful in agreeing on any general reasons for the decline in electoral participation. If there is a "silent majority" waiting to be summoned to the polls, it seems likely to vote like everyone else.

Of course, even if public policy stayed unchanged, a democracy in which all the governed consent may be better than one in which half keep quiet. But are non-voters really that silent? A feature of the new politics that Mr. Costikyan does not discuss is the increasing number of ways to influence government besides voting. Lobbying, protesting, letter-writing, and litigating are just some of the avenues now open to the citizen determined to participate. As Mr. Costikyan does point out, public programs confer benefits upon legions of people; however, his suggestion that recipients should be required to vote underestimates bureaucratic solicitousness and ability to rouse supporters. Indeed, Congressmen and other elected officials now find themselves devoting ever larger amounts of their own (or their staffs') time to constituents' problems. If they have too little time or energy to be leaders, perhaps one reason is that they hear too much from the public *after* Election Day.

Mr. Costikyan's advice to the would-be office-holder is not apt to help solve that kind of problem. By making private issues into public ones, the candidate may attract non-voters, but he will also add to the tasks government is expected to perform. Encouraging more people to want more things (including lower taxes or fewer public services) is a dubious way of becoming free from the pressures of public opinion. Instead of liberating government from their control, such a tactic may only add to the number of special interests.

Nonetheless, if his proposed solution leaves something to be desired, Mr. Costikyan's diagnosis of the problem of the new politics is timely, accurate, and worrisome. In the last twenty years, reform has triumphed, giving us a political system built around candidates and issues, not machines and party loyalties. The result is that fewer people are interested in voting, and minorities find it easy to rule. For all its flaws, the old system at least managed, as Mr. Costikyan wrote in his earlier book, to produce "politics in the public interest." He now shows us this cannot be said of the new politics, but what can be done to reform *it* remains distressingly unclear.

– Leslie Lenkowsky

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If Treason Prosper

THE SPIKE. *By Arnaud de Borchgrave and Robert Moss.* (Crown, New York, 1980)
THE MAN WHO KEPT THE SECRETS: RICHARD HELMS AND THE CIA. *By Thomas Powers.* (Alfred Knopf, New York, 1979)
WILDERNESS OF MIRRORS. *By David C. Martin.* (Harper & Row, New York, 1980)

Three works published within the year have the common goal of describing the struggles of the CIA against its foreign adversaries, principally the KGB, and its domestic critics and opponents, who included at various times the FBI, Presidents and their aides, the press, and Congress.

The Spike, by Arnaud de Borchgrave and Robert Moss, is a novel which depicts the "disinformation" efforts of the Soviet Union in the West. The central character is the son of a career military officer, who grew up in the 1960s, became a journalist and established his career through articles critical of American military and foreign policy. The book describes his gradual awakening to the Soviet disinformation campaign, his disillusionment with the unwillingness of the American press to take these efforts seriously, and his attempts to investigate and disclose the extent and success of the Soviet efforts. This leads him to alarming discoveries about Soviet influence upon Administration figures and the presence of KGB agents high in official positions.

The book is compelling; the tale of the young journalist's metamorphosis is believable, the depiction of the effects of the disinformation campaign frightening. *The Spike* is especially effective in communicating the seriousness of the threat Soviet disinformation represents. In this, the authors have done a distinct public service. Very few people can be aware of this campaign, the seriousness with which the Soviets view it, and the enormous success it has attained.

The novel is a *roman à clef*. Central figures in the work are clearly identifiable public figures holding high office in the present Administration. This adds greatly to its interest and suspense. The highly sympathetic portrayal of figures who represent James Jesus Angleton and Daniel Patrick Moynihan are particularly effective. However, the highly derogatory depiction of other officials, while convincing and exciting, is somewhat troubling. The motives attributed to some of these figures could not be more damaging. Some appear as criminally naive and foolish – which is probably true of many high Administration officials – but others are depicted as dupes of the Soviets, conscious advocates of Soviet interests, or outright KGB agents. If, as seems possible, the authors have some reliable basis for these depictions, these portrayals are justified. But if, on the other hand, only conjecture supports these notions, the damage to the reputations of the men concerned is disquieting. To be sure, a great many novels, and even alleged non-fiction, have been written attributing obviously false motives to high officials in past Administrations. And certainly the tremendous breadth of experience and knowledge of *The Spike*'s authors tends to be reassuring on this score. They have had

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access to most KGB defectors and to high Western intelligence officials. Nevertheless, a nagging suspicion remains that naivete (surely deplorable in a high public official) or a willingness to sacrifice national interests to personal ambition (also thoroughly contemptible) may be a more likely motive in some cases than those occasionally suggested in this novel.

The Man Who Kept the Secrets: Richard Helms and the CIA whose title suggests that it is a biography of Richard Helms, is in fact a history of attempts by various Administrations to use the CIA for "immoral" or illegal purposes, of the attacks made upon the CIA after Mr. Helms's departure as Director in 1973, and of the disastrous responses to those attacks by his successors.

It was Richard Helms's misfortune to be Director of the CIA during the erosion of the consensus that permitted the President untrammelled use of the CIA to oppose the spread of Communism. The attacks upon the nation's institutions unleashed by Watergate occurred after Mr. Helms's departure from office. However, his earlier adherence to once-accepted methods of avoiding disclosure of embarrassing clandestine activities led to his indictment and subsequent *nolo contendere* plea.

Richard Helms, like many of those who joined the CIA, is a singular man. He possessed the characteristics once thought desirable in a man serving in an intelligence agency. Discrete, cautious, and trustworthy, he rose steadily, step by step to the Directorship. There were no scandals to mar his record, no bumps in the road, no indiscretions or failed missions. His career was perhaps most remarkable for his consistent opposition to the grander covert missions undertaken by the Agency. Mr. Helms believed most such operations to be too risky; they could lead to disclosure. He feared such disclosure would shock a naive public and focus attention upon the unsavory realities of great-power competition.

Many high government officials who dealt with the CIA are portrayed in this book as foolish and ill advised. The Kennedys and those who served them were particularly insensitive to the high moral standards subsequently used to judge the actions of those who later directed the nation's foreign policy. There are remarkable inconsistencies between the behavior of Kennedy Administration officials as related in this book and that described by the most prominent biographers of the Kennedy brothers.

The Kennedy's blunders began almost from Inauguration Day, 1961. The President and his brother were obsessed with Castro and the need to "get rid of him." The first major foreign operation of the Administration, the Bay of Pigs invasion, was carried out with this goal in mind. The landing had been conceived as a large-scale offensive under Eisenhower, but Kennedy sought to diminish and change the operation until it remained the same only in its objective: to overthrow Castro. His hope was that "it might pass relatively unnoticed"; the President was concerned with the effect a noisy success might have on world opinion. Among the innovations he embraced were a switch in the landing site from a populated area to the desolate, remote Bay of Pigs, and a severe reduction in the scale and frequency of air strikes. It was hoped that these incremental reductions in American support would minimize the perception of American involvement in the domestic political affairs of a foreign nation. The effect upon world opinion of an outright failure

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was either considered less significant than this goal or else totally ignored.

After the humiliating defeat of the invasion, Kennedy publicly accepted blame for the failure. Privately, however, he and his supporters – even to the present day – sought to shift responsibility to the CIA. This explanation has been widely accepted, even though the CIA opposed Kennedy's changes in the plan, believing air control and strong U.S. support essential to its success.

Throughout the Kennedy administration, unrelenting pressure was placed upon the CIA to do whatever was required to eliminate Castro. In Cuba the agency was, according to Mr. Powers, following the direct instructions of the President. It was never a "rogue elephant," beyond the control of the executive. That Congress was not apprised of all details or the existence of significant operations, was the accepted practice of the time; Congress did not want to know. All this changed after Watergate, which approximately coincided with Mr. Helms' departure from the agency. A series of debacles befell the CIA during the fall of Nixon and its aftermath.

The prostration of the agency began under Nixon, with James Schlesinger's purge of more than a thousand of the "old guard," gentlemen who had staffed the CIA since it was founded. Nixon, who viewed the CIA as "forty thousand people reading newspapers," inexplicably supported Mr. Schlesinger's de-emphasis of clandestine operations, and his reliance on technical collection and analysis of information, despite the reduced capacity for action which it entailed.

Mr. Schlesinger's short reign in 1973 ended when he became Secretary of Defense. He was followed as CIA Director by William Colby. Mr. Colby, like Mr. Helms, was a career CIA officer, but his *modus operandi* could not have made a starker contrast. While Mr. Helms sought to preserve the CIA's secrets, even at considerable personal risk, Mr. Colby revealed more than was requested of him by press and Congress. His repudiation of his predecessor's policy to keep the Agency's secrets was complete; he even ordered the disclosure of Mr. Helms's lack of total candor in his congressional testimony. Mr. Colby, like Mr. Schlesinger, disdained clandestine operations and completely abandoned any attempt at counterintelligence.

Mr. Helms's apprehension about the effect disclosures of CIA activities might have on the agency's ability to operate was fully vindicated. Feverish denunciation in Congress and the media led to the imposition of reporting requirements which made covert operations completely impossible. Mr. Helms, too, paid a price for his adherence to a subsequently outmoded sense of duty. He was indicted for perjury, convinced to plead *nolo contendere* to a lesser charge, and then forced to undergo a tirade of sanctimonious abuse from a judge whose substantive contributions to his country (if any) are certainly less conspicuous than those of the man he castigated.

Wilderness of Mirrors is concerned with but one aspect of the wide-ranging competition between the Soviet and American intelligence agencies, namely, the KGB's attempts to dupe the CIA with false defectors and to penetrate Western governments with "moles" – traitors or spies placed within the CIA or other sensitive agencies. This is the murky, complex, and frustrating world of counterintelligence.

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Intimately involved in America's efforts to compete with the KGB were James Jesus Angleton and William King Harvey, two brilliant and eccentric men of sharply contrasting background and style. These two represent the very different types who join the CIA. Mr. Angleton was a graduate of Yale and Harvard Law School, loved Ezra Pound's poetry, and spent his spare time raising orchids, crafting fishing lures, and designing jewelry. Mr. Harvey appeared to be a man of middle-American origins and values. He distrusted those of privileged upbringing, avidly collected firearms, read Kipling, and once served as an FBI agent. Both Mr. Angleton and Mr. Harvey possessed what must be the requisites for a successful career in counter-intelligence: deep intellect, profound skepticism, willingness to sacrifice oneself to the national interest, and an enormous capacity for storing, analysing, and comparing information. Both eventually saw their careers destroyed and themselves purged from government service.

William King Harvey's demise was perhaps more bitter, reflecting most clearly small-minded ingratitude for past services rendered. His greatest service to America was probably the exposure of Kim Philby, a high British intelligence official, as a traitor and KGB spy, Mr. Harvey's second great coup was the creation of the Berlin tunnel, which enabled Allied intelligence to monitor Soviet activities in that city. (It is ironic that this operation had been compromised from its inception and was known to the Soviets. The Soviets apparently chose to let the operation proceed in order to protect the source of their information.)

Mr. Harvey's career was a string of successes until he was recruited by President Kennedy to help manage MONGOOSE, a program whose purpose was to overthrow the Castro regime. MONGOOSE became the pet project of Robert Kennedy and evolved into the largest CIA operation of its day. While the CIA concluded that MONGOOSE's mission could not succeed, top Administration officials insisted that covert attempts be made to overthrow Castro. Commandos accordingly were dutifully trained and then landed on Cuba, only to be wiped out by Castro's forces.

Mr. Harvey quickly learned to despise Robert Kennedy as a meddling amateur, and the Attorney General fully reciprocated Mr. Harvey's dislike. Kennedy finally concluded that Mr. Harvey's performance was unsatisfactory because there had been insufficient success in destabilizing Castro. The opportunity to remove Mr. Harvey arrived with the Cuban Missile Crisis. Mr. Harvey dispatched teams to the island to be ready with beacons and flares in the event the President ordered an invasion. Robert Kennedy discovered this and cancelled the operation. Some of the teams, however, could not be recalled in time. A confrontation ensued, and Mr. Harvey's involvement in the Cuban venture was ended. He was exiled to Rome as CIA station chief, took to drinking heavily, and suffered a heart attack. Eventually relieved and returned to a make-work job at headquarters, Mr. Harvey was fired soon thereafter when he proved unable to control his drinking. He tried briefly to practice law in Washington, returned to Indiana to work as a private investigator, and finally obtained a $9,000-per-year job as a legal editor for the Bobbs-Merrill Company. Mr. Harvey thereafter emerged from obscurity only when called to testify at the Church hearings. Though ravaged by obesity and years of drinking, he remained a formidible man even in the eyes of those not predisposed

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to admire CIA officers. One committee staffer said Mr. Harvey "made the greatest impression on me of any man in my life." The committee's revelation of Mr. Harvey's past career made ITT, Bobbs-Merrill's parent, uncomfortable. Word came down that he should be fired. His immediate superior refused. The problem was resolved when Mr. Harvey suffered another heart attack and died.

Mr. Angleton's career in counterintelligence was longer and more involved than Mr. Harvey's. He became head of the CIA's counterintelligence operations in the early fifties, and served until they were abandoned, and he fired, by William Colby in 1974.

James Angleton's mission was to protect the CIA from penetration by a mole, and to expose disinformation agents sent to the West by the KGB. The value of a disinformation agent who is accepted as genuine in the West is enormous. A false defector can discredit and negate authentic information and thereby paralyze the intelligence agency. A traitor who has gained the higher reaches of an intelligence agency is equally valuable; he can compromise all its operations. The KGB has implanted spies and false defectors in the West with great success: the heads of German and French counterintelligence were in fact KGB agents, as were high officials in British intelligence. But it is the thesis of Mr. Angleton's critics, including the author of this book, that the search for KGB agents is more destructive than their presence.

Much of the controversy that swirled around Mr. Angleton emanated from his efforts to detect a mole which he and many others concluded had reached a high position within the CIA. He consequently entertained doubts about virtually anyone in the agency. This suspicion created not a few enemies among those whose loyalty had been doubted.

Within the CIA this controversy centered around two defectors, Golitsin and Nosenko. Golitsin, a former KGB officer, issued ominous warnings of Soviet spies in every Western government. Angleton believed Golitsin to be authentic and credited his warnings. Nosenko, however, who defected shortly after Golitsin, also had his share of supporters within the CIA. He consistently contradicted and undermined Golitsin, and Mr. Angleton believed Nosenko to be a KGB plant whose purpose was to discredit Golitsin. *Wilderness of Mirrors* examines at some length the two sides to this controversy. The great weight of the evidence apparently favored Golitsin's authenticity and Nosenko's unreliability. This assessment was disputed within the CIA only by those who disbelieved in the whole "double-cross theory," upon which the justification for counterintelligence stood.

In addition to reflecting upon the truth of Golitsin's alarming allegations, this controversy was significant because of the possibility of KGB involvement in the assasination of John F. Kennedy. Oswald, who defected to the Soviet Union in the 1950s, visited both the Cuban and Soviet embassies in Mexico two months before the assassination. He met with known KGB agents during those visits. Castro, at about the same time, stated publicly that he was aware of American plots against his life and suggested that American leaders were not immune to the same threat themselves. These sinister coincidences were lent significance by Golitsin, who maintained that JFK's assassination was part of a KGB plot. Nosenko

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vigorously disputed this. If Nosenko was in fact a Soviet plant, then it was fair to surmise that there was an Oswald-KGB connection and that Oswald was acting as a Soviet agent when he shot Kennedy. In addition, if Nosenko was a Soviet plant, then a KGB spy had certainly burrowed deep within the CIA.

The controversy over Golitsin and Nosenko raged for years. It was "officially" resolved in 1968, when the Deputy Director of Central Intelligence concluded that Nosenko was genuine. Curiously, the necessary inference of this conclusion – that Golitsin was false – was never adopted.

William Colby's appointment as Director was unfortunate for James Angleton; they had been bitter enemies for many years. Mr. Angleton believed Mr. Colby had wreaked great damage upon American interests by refusing to take seriously Soviet penetration activities. Mr. Colby, for his part, claimed that he could not understand Mr. Angleton's theories and that Mr. Angleton's counter-intelligence operations were harmful. James Angleton was fired after William Colby confirmed to the *New York Times* the existence of CIA spying operations, organized by Mr. Angleton, against domestic antiwar protestors.

David Martin auggests that James Angleton's hunt for moles and false defectors caused more damage to the CIA than would a mole, because it cast suspicion everywhere. Yet this conclusion seems curiously unsupported by the evidence he himself marshalls. The book is filled with examples of successful Soviet plants and the devastating effect they have had upon the security of the West. It is certainly true that a broad range of officials were considered possible moles: William Colby, Arthur Schlesinger, Jr., Averell Harriman, the CIA Paris station chief, and even Angleton himself were at times suspected.

Abandonment of the effort to avoid being penetrated and duped appears the only alternative to such suspicion. This is the course which William Colby followed. The potential consequences of his decision do not induce confidence. It is certain that the KGB has in the past sought with great success to penetrate Western intelligence services in order to plant false defectors and spies. It seems doubtful that a decision by the CIA to cease trying to identify traitors and disinformation agents would lead the Soviets to abandon their efforts. Since the fall of James Angleton, no serious attempt has been made to oppose these efforts. The inescapable conclusion is that during the past five or six years the CIA has probably been infiltrated to a far greater degree than ever feared by Mr. Angleton. The consequences of such penetration are alarming: no secret in CIA hands can be kept from the Soviets, disinformation can be disseminated within the highest reaches of our government, CIA agents are known and can be neutralized by the KGB at any time, and additional infiltration can be promoted by agents now in place.

None of these books makes any serious attempt to engage in analysis of great significance. David Martin in *Wilderness of Mirrors* offers a brief Afterword questioning whether the search for the mole within the CIA was worthwhile. He concludes with a few half-hearted sentences condemning James Angleton and William Harvey for violating "democratic freedoms they were sworn to defend." Without any substantiation, he alleges that they endured diminished spirit and burdens of shame and

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asserts that these vague psychological experiences resulted in "mutant" deeds and thoughts. Yet this condemnation and pathos seem rather lukewarm, as if the author viewed them as mandatory genuflections to the conventions of contemporary political morality. Perhaps he could not otherwise anticipate favorable reaction to his work from journalistic colleagues.

The principal question posed, now as ever, by the existence of the CIA is by what means a democratic society should seek to preserve itself when its adversaries are both implacable and unrestrained in their behavior. Fortunately the consensus on this issue appears of late to have shifted from shock at the means once used by the CIA in its competition with the KGB to fear at the apparently expanding threat from our opponents, and alarm at the present lack of means to protect the national interest abroad by operations of lesser magnitude than outright military action. Whether it will be possible to recreate an effective American intelligence agency is certainly problematic. It is difficult to win trust abroad when those who have given confidence in the past have been abandoned, exposed, disgraced, or worse. Whether our own intelligence officials will be willing to take risks in the national interest, when those who did so in the past were driven from office not with thanks but with torrents of abuse, is an open question.

Scott Burke

The Rise and Fall of Progress

A HISTORY OF THE IDEA OF PROGRESS. *By Robert Nisbet*. (Basic Books, New York, 1980)

Robert Nisbet is an exceptionally gifted writer, very well read in the history of ideas. His *Twilight of Authority* of a few years ago was an admirable tract, of considerable political significance, appropriately pointing out (when many others were anxiously looking at signs of authoritarianism) that loss of governmental and family discipline was at least as severe a threat to liberty as the menace of despotism. Now here is a history of the idea of progress which is as well written, and equally characterized by much learning lightly worn.

The originality of the book, it seems to me, lies in its analysis of diverse writers of antiquity, an analysis which disproves the well-entrenched supposition that the idea of progress was unknown to the ancients and arose with the Renaissance – specifically with Francis Bacon. On the contrary, the Greeks of the fifth century – above all Athenians, but not exclusively so –were convinced that their days were better than those of their fathers. It was admittedly not opulence nor social security which had increased, but justice, which the Greeks believed more important. Indeed, Athenians were wont to believe that the idea of law was the essential commodity which had raised them above the barbarians. Justice led in turn to the possibility of contemplation and speculation.

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By linking the study of ancient authors to the views of modern ones, such as Marx and even Herman Kahn, Professor Nisbet gives a fine general introduction to the history of ideas, not only of the idea of progress.

Professor Nisbet is first and foremost an analyst of what others have said, rather than anywhere here a philosopher putting forward a theory. Rather regrettably, we scarcely hear what he himself thinks of the concept of progress until the end of the book. Furthermore, the arrangement in which Professor Nisbet introduces his authors lends support to what might be supposed to be an excessively unilinear theory of history – a tendency of which he is really critical. Most of those of whom he writes were self-confident men who believed that their societies, and their theories of how their societies might evolve, were superior – not only to what had gone immediately before but to the whole past. In certain respects, some societies can be held to be superior to others: for example, in ceramic arts eighteenth-century England was evidently at a higher level than in the sixteenth century; few would say that that was so in poetry. Equally, it does not require much argument to sustain the view that, in all aspects of cultivated living, Sumer was superior to, say, medieval Scotland.

In short, history is unsatisfactory if it is presented as a series of stepping-stones in the history of time. Each civilization is probably unique, if not necessarily self-sufficient, and to be valued in its own right, not because it might have led to something else. This goes as much for the short-lived civilization of bourgeois Europe (say 1848-1914), as for the long twilight of Byzantium. Some consideration of this interpretation would have enriched an already long and fascinating volume. Perhaps, too, there might be a consideration of what Eastern writers said of the subject. Even if they said nothing, that would be interesting: after all, Chinese literature did change as much as Chinese technology. For the better? For the worse? Did anyone discuss the matter?

In the last chapter proper of his book, Professor Nisbet speculates as to why there seems to be more conviction of the reality of progress in some unfree nations than there is in Western democracies. He considers carefully the recent history of doubt, disbelief, and disillusion in the West (though without, perhaps, allowing himself adequate time to wonder how far the conviction of superiority in the "East" is not really merely a matter of propaganda). Soviet journalists and Politburo members may suggest that they think their society superior to what happened before – but no good Russian writer would say so. It is one of the thrusts of recent Russian writers such as Solzhenitsyn who are against the present Soviet system to reject the whole Bolshevik-Communist experience and to regret, from the angle of modern prisoners in Russia, the more "humane" prisons of Tsarist days, when the worst that could happen would be a hundred lashes. One zone where the sense of progress is least compelling in the West is not, however, in respect of general developments, but in connection with diversity. Grahame Clark, the anthropologist and archaeologist, recently wrote (in *Archaeology and Human Diversity*) that anyone travelling across Europe in 1910 would have found a whole range of different foods, customs, social styles, political styles, and artifacts, differing from region to region, and even from valley to valley. Today,

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both in communist and capitalist Europe, diversity has in some respects been limited.

Professor Nisbet's epilogue is gloomy for other reasons. Mere anarchy does seem to have been launched onto the world. Western culture does not look as if it will last long. It can only hope to do so if our culture recovers "a deep and wide sense of the sacred." But, according to Professor Nisbet, this is unlikely, since religion is "a spent force." So is philosophy. There are no great writers, no universal geniuses. Only at the very end does Professor Nisbet allow himself a vague premonition: something may be stirring, some unknown monster may be about to slouch towards Bethlehem. Alas, it may turn out to be the Ayatollah. I believe that the matter can be put differently as it was hinted by Henri Frankfort in 1951: "What constitutes the individuality of a civilization," he wrote, "is its recognizable character, its identity which is maintained throughout the successive stages of its existence." This identity derives from a certain coherence among its various manifestations, a certain consistency in its orientation, a certain cultural "style" which shapes its political and its judicial institutions, its art as well as its literature, its religion as well as its morals. It is here that it seems as if something is missing. The long-term interests of the West are too rarely defined, but much less sought. Here is the danger; here is the menace.

Hugh Thomas

Land of the Rising Yen

THE JAPANESE. *By Edwin O. Reischauer.* (The Belknap Press of Harvard University, Cambridge, 1979) Ninth printing.

JAPAN AS NO.1 : LESSONS FOR AMERICA. *By Ezra F. Vogel* (Harvard University Press, Cambridge, 1979)

WEALTH OF NATIONS IN CRISIS : POLITICAL, ECONOMIC, AND SOCIAL INHIBITORS-ENEMIES OF PROSPERITY. *By Ronald C. Nairn* (Bayland Publishing, Houston, 1979)

Emerging from the defeat and destruction of the Second World War, Japan showed the world a remarkable recovery as an industrial and trading giant in Asia and economically as a superpower among the contemporary Western nations. While European enthnocentrism has limited study of the historical and cultural background of such Asian states as Japan, the growth of the Japanese economy, within its own unique national framework, has been a significant event not only in the world's economy but also for the Japanese people. It contains lessons for other peoples on the vastly populated Asian continent.

Former United States Ambassador to Japan (1961-1966) and Harvard University Professor Edwin O. Reischauer, born and raised in Japan, brings a life-time sudy of Japanese history and culture to this definitive,

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well-written and topical work. It could well serve as a textbook or as a source of casual reading on the setting, historical background, society, politics, and role in the world of the Land of the Rising Sun. Japan has had a distinctive language, experienced geographic and historical isolation, and has been the one major industrialized country that is neither culturally Western nor racially Caucasian. Ambassador Reischauer aptly describes it as "the country that does not quite fit into either the Western or Eastern worlds" (p. 401). The Japanese, as a national group, developed a sense of being unique, distinguished between "we" Japanese and "they" – the remainder of mankind. Whereas the Chinese have seen themselves as culturally superior to other people, the Japanese, avoiding such a value judgment, accept the label of merely being different. They are very international in knowing about and assessing other nations, and have readily, even enthusiastically, adopted and adapted to Western fads and trends. But they maintain a sense, in the author's words, of "separateness."

This sense of "uniqueness" or "separateness" is the theme of Ezra Vogel's book. He seeks, however, to isolate this quality and its manifestations as lessons for Western industrial nations coping with problems of inflation, unemployment, government deficits, crime, and urban disorganization.

While Ambassador Reischauer seeks to explain the Japanese, Professor Vogel desires to apply what he views as the valuable lessons of Japanese civilization to Western civilization, particularly the United States. Both authors admit a tendency to highlight the good and minimize the bad. The former Ambassador justifies this approach by pointing out that other reporting has over-emphasized the "unfavorable aspects" of Japan and that these aspects (including crime, slums, etc.) are less a part of Japanese society than of other societies. Professor Vogel admits to describing "selective aspects" of the Japanese national system that are "so effective" that they contain lessons for the United States. Yet, despite this predilection for things Japanese, both authors are thorough and perceptive.

Professor Vogel, for instance, views the group-directed quest for knowledge as a major factor in Japanese success. (Even differences of opinion, he relates, can best be resolved in the Japanese tradition by additional gathering of information, rather than adversary procedures and brilliant argument.) The Japanese system funnels to the top those of highest ability, broadest experience, and longest service. Candidates for prime minster, as well as bureaucrats, are "groomed." Unlike American special interest groups, the Japanese multi-purpose groups (e.g., villages, towns, professional associations, firms) interact and better express the collective interests of the Japanese. Thus, the Japanese maintain a sense of community with primary loyalty to one all embracing group, a basic building block for aggregating interests. While Americans view "fair play" as a cardinal role in political life, the Japanese view "fair share" as its essence, seeking ways to ensure that all groups will somehow gain. And in the economic sphere, the Japanese company provides employees with economic incentives for long-term loyalty while employees in turn identify strongly with the company. Thus, companies may have their own uniforms, songs, even mottos.

Professor Vogel praises the education system as providing both quality

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and equality. Competition is encouraged. Students, parents, and teachers are reinforced in a role identifying with the student preparing for the examination. The Ministry of Education enforces uniform national standards. And self-discipline and a high level of training are actually produced by the education system. Finally, the welfare system, with limited financing, has allowed only the very old or infirm to become dependent on the state while at the same time preserving ample employment opportunities to assure a sense of purpose, self-respect, and a group effort. Effective law enforcement with public support have aided the Japanese in maintaining control of crime, especially compared to the rising crime rates in industrializing countries.

But the picture, even as painted by the enthusiast Professor Vogel, is not completely optimistic. Ambassador Reischauer too, in peering ahead to the future, discerns some real problems for Japan: natural disasters, the internal organization of society, world ecology and global resources, and world trade. Even after abstracting lessons that the United States could learn from Japan (the major obstacles being the different culture traditions, different perceptions of problems, and American individualism), Professor Vogel focuses on certain drawbacks in Japanese society which would also arise in countries importing the Japanes pattern, e.g., smothering of individual rights, ignoring the variant and condemning the misfit, and the stimulation of excessive nationalism. And the underlying question of his whole book must be considered:

> Before Americans begin studying the Japanese model, they will need to consider the question raised by many Japanese model of the last twenty years will remain effective, even in Japan. The Japanese model, so the argument goes, was appropriate to a period of very rapid growth when Japan had many comparative advantages and a receptive international economic and political climate. It worked when there was a high internal consensus about growth, but this consensus is drawing to a close. Ordinary citizens are more interested in social benefits than economic growth, and the new generation of youth reared in affluence have very little interest in economic growth at all. (p. 245)

Ronald C. Nairn's book provides an interesting complement to the other two works. Professor Vogel sees that Japan's grand vision of catching up with and overtaking modern affluent countries gave Japan a sense of purpose and that having won this victory, Japan's optimism, discipline, and hard work emanating from the pursuit of the vision may go the way of decline of affluent Europe and America. Mr. Nairn takes the contrasting view that Japan and the Western world, possessing as they do the bulk of the world's scientific knowledge and enterprise, have this capacity to reach down to the heartland of poverty in the world. He therefore urges the Western nations to abandon the pessimism and despair of the past two decades and to recapture their optimism. Ambassador Reischauer, observing that Japan's affluence has shown that economic strength and wealth need not be limited to the Western world, envisages a role for Japan in showing non-Western people that success can be achieved without the loss of one's cultural identity in the process of modernization. Mr. Nairn sees Japan and the West in a partnership to assist the impoverished nations of

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the Third World to achieve a better and more productive standard of living. All three authors reach beyond historical narrative to abstract lessons which can improve the world – but only if the lessons are utilized.

While Professors Reischauer and Vogel are primarily academics, Mr. Nairn, though the posesser of a doctoral degree in international relations from Yale, has made his way in the world as a businessman and investor. He has nevertheless authored two books and numerous magazine articles and is a regular contributor to the *Asian Wall Street Journal*. At present leading an internationally based agricultural development company involved in land use projects primarily in Asia, Mr. Nairn presents in his book a historical framework, a discussion of concepts (such as agriculture, culture, bureaucracy, and ideology), and a vast array of personal examples from his wide and varied travels. While the setting of the book is global, there is much in it for the student of Asia, including the significant role of Japan.

Mr. Nairn's theme is the abolition of (or the reduction of) poverty by productive agriculture, a task which can be accomplished by releasing human productivity and minimizing the economic inhibitors which prevent prosperity and guarantee poverty. He rejects the centralized state as itself an inhibitor of prosperity and stresses the individual ethic, the role of incentive to release human capital, as the chief ingredient for economic growth and prosperity. Seven points for the establishment of an agricultural ethos are suggested: each individual farmer should have security of tenure on field and home; freedom to make decisions affecting the general welfare of family and field; freedom from penury-inducing taxation and other levies; access to credit at market rates since credit is the lifeblood of agricultural development; the right to sell his product to whomsoever he wishes; freedom to enjoy the fruits of his labor; communication and even consultation by government with those who do the work (e.g., the farmer). He raises this challenge:

> Against this strict criterion it may then be asked: is it possible? Can underdeveloped nations realize the ethos? An answer, full of hope, is that some already have . . . In Japan, especially after World War II when Japan was certainly an underdeveloped nation in the material sense, we see the ethos in action. It produced spectacular results. More significantly, if Japan so wishes, it has human potential to make further spectacular gains in yields even from its present high base. (p. 6)

Mr. Nairn's examples are well developed – and convincing. He discusses how the water buffalo could be raised as a source of food rather than a mere beast of burden, how more irrigation can be utilized, how nutrients can be added to the soil, and specifies how different technologies can be applied for more productivity. He tackles the fallacy of over-population, debunks the myth of depleting resources, and challenges the effects of the environmental movement, which he sees as an obstacle to additional productivity and growth. Sound material is presented on science, agriculture, and economics. One cannot read this book – with its examples from Japan, Republic of China on Taiwan, Thailand, New Zealand – without gaining a better understanding of man's ingenuity, what will and what will not work in economic development, and the role government should and should not play. His examples show that advancement is possible given the

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right set of circumstances and incentives. Mr. Nairn comments:

> In general, developed nations can set the stage in several important ways. The first element is to know the limits of what can be accomplished by the developed. Much of this book is concerned with those limitations. Most of the effort must come from the underdeveloped themselves . . . Most countries would be surprised, even staggered, at the agricultural potential they possess if a true agricultural balance sheet were prepared to tell aid recipients in strict quantitative terms and on a national scale what is possible. (p. 248)

Despite their varying degrees of optimism and pessimism, one message is clear from all three authors: the West and the underdeveloped nations can learn from the East (e.g., Japan). Even though we may be unsure if the twenty-first century will be Japan's century, Edwin O, Reischauer reminds us that nevertheless Japan will be a leader, if not the preeminent leader, in dealing with the problems of that century. We in the West should prepare ourselves for that eventuality by focusing on the varied Asian experience.

– Donald J. Senese

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Short Shrift

Cotton Lindsay (editor)
New Directions in Public Health Care: A Prescription for the 1980s (Institute for Contemporary Studies, 260 California St., Suite 811, San Francisco, Calif. 94111) 1980.

This excellent collection of essays examines both the problems associated with a government-sponsored national health service and the opportunities provided by innovative alternatives to the existing system.

Drawing on the experience of Britain and Canada, Cotton Lindsay and Arthur Seldon conclude that a comprehensive national program would have the effect of removing the final price link between the supply and demand for medical services, leading to accelerating demand and costs, shortages, and delays. Trying to hold down costs by controls, as the Kennedy and Carter bills seek to do, would result in a decline in quality. The damaging implications of the Kennedy-Carter approach are confirmed dramatically by the economic projections of Cotton Lindsay and Keith Leffler.

Alain Enthoven of Stanford argues that we should not abandon the private health care system but instead make it work more effectively, by encouraging competition and cost consciousness, and by reversing the existing cost-increasing incentives in the tax code. In addition, he writes, employers should be required to provide the same contribution to whichever health plan is selected by an employee, and the worker should be able to take the difference in the form of extra income. The bills before Congress which seek to implement this broad approach are discussed in detail.

The Kennedy and Carter health plans are reviewed by Jack Meyer of the AEI, and the policy of hospital cost containment is analyzed by Representatives Phil Gramm and David Stockman.

— Stuart Butler

Paul Feyerabend
Science in a Free Society (NLB, London) 1978.

Governments today spend enormous sums on scientific research. Since some research is closely tied to national defense, hardly anyone questions the propriety of this support. But Professor Feyerabend (of the Berkeley philosophy department) does, and contends that "science is one ideology among many and should be separated from the State just as Religion is now separated from the State."

In recent years, science itself has come under serious attack. The "establishment" interpretation of the scientific method, the author argues, denies that "rationality is one tradition among many rather than a standard to which tradition must conform." None of us can

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and should be guided by the pure mathematician's "ideal" rationality. Yet this is just what many admirers of science advocate. Economists, for example, aim at a pure science and try desperately to deny that they endorse any values – which would not fit their view of scientific rationality.

So Professor Feyerabend has a worthy target. The stress on method can only lead to a tyranny of scientific experts. But the author goes further; he believes that the theory of scientific competence must be overthrown, and "our epistemology should become anarchic." Otherwise, we allow the extremely dangerous merger of government and the scientific establishment to annihilate our human creativity.

This book is a fine muckraking adventure. Scientists aren't superhuman, and the belief that there is just one scientific method is highly questionable – perhaps harmful. But the author is too enamored of the mistaken modern view that we cannot know anything unless we reduce all methods of knowledge to one. This is why – to jump to a very large issue – the West finds it so very difficult to defend its values against the Soviets; because its intellectuals have believed these values to be no more than prejudices, biases.

– Tibor Machan

Southern Partisan

(P.O. Box 193, McClellanville, S.C. 29458).

This new quarterly will seek to be a voice "of all that was and is distinctly good about the South." The articles are of social, literary, and historical comment. The contents include articles by M. E. Bradford and Russell Kirk and a page of cultural notes with such news as an increase in the pension paid by the state of South Carolina to the last widow of a Confederate veteran, John Shelton Reed in an interesting article on the quality of life in the South notes that H. L. Mencken once compiled a study of the "level of civilization" in each state, based on quantifiable indicators of health, wealth, governmental performance, and so forth. He was able to announce that all the southern states were lumped together as the worst states. Massachusetts was at the other end of the scale as "the best state." A similar study, published last year, using indicators of economic well-being and governmental services, came to the same conclusion: the southern states all were listed on the bottom of the scale. A different survey, done in 1975, was based on responses of citizens of thirteen states, including five southern states, to the question "Is your state the best state to live in?" This time the southern states came out as the best states and "the worst state"; in the eyes of its own citizens was Massachusetts.

– R. B.

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